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INTERIM RESULTS

Independent Interim Review Report

TO THE BOARD OF DIRECTORS OF TC INTERCONNECT HOLDINGS LIMITED
達進精電控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 4 to 15.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2006.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six months ended 30th June, 2005 and the related notes thereto contained in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21st September, 2006

The Board of Directors (the “Board”) is pleased to announce the unaudited consolidated interim results of TC Interconnect Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the six months ended 30th June, 2006. It is the first interim results announced by the Group since it was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23rd June, 2006.

Condensed Consolidated Income Statement

For the six months ended 30th June, 2006

		For the six months ended	
		30th June,	
		2006	2005
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	3	247,910	232,148
Cost of sales		(196,027)	(192,738)
Gross profit		51,883	39,410
Other income	4	3,519	3,119
Selling and distribution expenses		(11,060)	(11,415)
Administrative and other expenses		(16,475)	(13,763)
Listing expenses		(7,108)	(1,711)
Finance costs		(5,584)	(4,429)
Profit before tax	5	15,175	11,211
Income tax expense	6	(5,048)	(847)
Profit for the period		10,127	10,364
Earnings per share (<i>HK cents</i>)	7	5.5	5.8

Condensed Consolidated Balance Sheet

At 30th June, 2006

	Notes	30th June, 2006 (unaudited) HK\$'000	31st December, 2005 (audited) HK\$'000
Non-current assets			
Investment properties	8	2,400	2,400
Property, plant and equipment	8	227,101	210,573
Prepaid lease payments		20,214	18,977
		<u>249,715</u>	<u>231,950</u>
Current assets			
Inventories		64,130	56,153
Trade and other receivables	9	172,251	176,743
Bills receivable	9	5,435	8,006
Receivables from share issue		24,000	–
Prepaid lease payments		531	495
Pledged bank deposits		8,594	3,138
Bank balances and cash		30,003	15,038
		<u>304,944</u>	<u>259,573</u>
Current liabilities			
Trade and other payables	10	133,348	124,901
Bills payable	10	6,964	31,281
Amounts due to related parties		–	413
Amount due to a shareholder		–	8,646
Taxation payable		13,109	12,077
Obligations under finance leases			
– due within one year		26,143	24,246
Bank and other borrowings			
– due within one year	11	120,187	54,325
		<u>299,751</u>	<u>255,889</u>
Net current assets		<u>5,193</u>	<u>3,684</u>
Total assets less current liabilities		<u>254,908</u>	<u>235,634</u>
Non-current liabilities			
Bank and other borrowings			
– due after one year	11	9,158	59,101
Obligations under finance leases			
– due after one year		31,553	27,732
Deferred tax liability		1,312	642
		<u>42,023</u>	<u>87,475</u>
NET ASSETS		<u>212,885</u>	<u>148,159</u>
CAPITAL AND RESERVES			
Share capital	12	24,000	10
Reserves		188,885	148,149
TOTAL EQUITY		<u>212,885</u>	<u>148,159</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2006

	Share capital	Share premium	PRC statutory reserve	Special reserve	Exchange reserve	Accumulated profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2005 (audited)	1	-	685	1,156	139	108,940	110,921
Profit and total recognised income for the period	-	-	-	-	-	10,364	10,364
At 30th June, 2005 (unaudited)	1	-	685	1,156	139	119,304	121,285
Exchange differences arising on translation of foreign operations recognised directly in equity	-	-	-	-	(60)	-	(60)
Profit for the period	-	-	-	-	-	26,925	26,925
Total recognised income and expense for the period	-	-	-	-	(60)	26,925	26,865
Transfer	-	-	716	-	-	(716)	-
Issue of shares	9	-	-	-	-	-	9
At 31st December, 2005 and at 1st January, 2006 (audited)	10	-	1,401	1,156	79	145,513	148,159
Profit and total recognised income for the period	-	-	-	-	-	10,127	10,127
Share issue expense	-	(5,401)	-	-	-	-	(5,401)
Issue of shares for cash	6,000	54,000	-	-	-	-	60,000
Capitalisation issue	17,990	(17,990)	-	-	-	-	-
At 30th June, 2006 (unaudited)	24,000	30,609	1,401	1,156	79	155,640	212,885

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2006

	For the six months ended 30th June,	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	<u>(853)</u>	<u>4,449</u>
Net cash used in investing activities		
Acquisition of property, plant and equipment	(8,528)	(4,307)
Increase in pledged bank deposits	(5,456)	(20)
Other investing cash flows	97	40
	<u>(13,887)</u>	<u>(4,287)</u>
Net cash from financing activities		
Proceeds on issue of shares received	36,000	–
Borrowings raised	125,420	163,606
Repayment of bank and other borrowings	(109,501)	(142,691)
Repayment of obligations under finance leases	(13,154)	(11,934)
Other financing cash flows	(9,060)	(1,289)
	<u>29,705</u>	<u>7,692</u>
Net increase in cash and cash equivalents	14,965	7,854
Cash and cash equivalents at 1st January	<u>15,038</u>	<u>12,502</u>
Cash and cash equivalents at 30th June, represented by bank balances and cash	<u><u>30,003</u></u>	<u><u>20,356</u></u>

Notes to The Condensed Consolidated Financial Statements

For the six months ended 30th June, 2006

1. BASIS OF PREPARATION

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalize the structure of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the Group on 15th May, 2006. The shares of the Company have been listed on the Stock Exchange since 23rd June, 2006. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated 12th June, 2006.

The Group resulting from the Group Reorganisation is regarded as a continuing entity and is regarded as business under common control. Accordingly, the condensed consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the current group structure had been in existence when the Group entities first came under common control.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair value, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the underlying financial statements of the companies comprising the Group which were used for the preparation of the accountants’ report for the three years ended 31st December, 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the new HKFRSs”) that are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied any of the new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment and interpretations will have no material impact on the results and financial positions of the Group.

3. SEGMENT INFORMATION

The Group is currently organised into the following three business divisions:

- Manufacturing and trading of Single-sided printed circuit boards (“PCB”) (“Single-sided”)
- Manufacturing and trading of Double-sided PCB (“Double-sided”)
- Manufacturing and trading of Multi-layered PCB (“Multi-layered”)

These divisions are the basis on which the Group reports its primary segment information.

	Six months ended	
	30th June,	
	2006	2005
	HK\$'000	HK\$'000
Turnover – external sales		
Single-sided	59,323	78,153
Double-sided	138,964	130,780
Multi-layered	49,623	23,215
	<hr/>	<hr/>
Total	247,910	232,148
	<hr/> <hr/>	<hr/> <hr/>
Segment results		
– single-sided	1,981	(24)
– double-sided	11,411	18,079
– multi-layered	5,800	(2,406)
	<hr/>	<hr/>
	19,192	15,649
Unallocated corporate income	3,519	3,119
Unallocated corporate expenses	(1,952)	(3,128)
Finance costs	(5,584)	(4,429)
	<hr/>	<hr/>
Profit before tax	15,175	11,211
Income tax expense	(5,048)	(847)
	<hr/>	<hr/>
Profit for the period	10,127	10,364
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME

Included in other income is an amount of approximately HK\$2,080,000 (2005: HK\$1,546,000) in respect of sales of scrap materials.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Directors' emoluments:		
– fees	32	–
– salaries and benefits	812	875
– retirement benefit scheme contributions	12	12
	<hr/>	<hr/>
Total emoluments	856	887
Allowance on trade receivables	2,085	1,947
Depreciation and amortisation	11,095	9,326
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
Current period	912	400
Underprovision in previous period	–	90
	<hr/>	<hr/>
	912	490
Income tax in other regions of the People's Republic of China (the "PRC")	3,466	427
Deferred tax	670	(70)
	<hr/>	<hr/>
	5,048	847
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for each of the six months ended 30th June, 2006 and 2005.

PRC income tax is calculated at the applicable rates relevant to the PRC subsidiaries.

7. EARNINGS PER SHARE

For the period ended 30th June, 2006, the calculation of the basic earnings per share attributable to the shareholders of the Company is based on the profit for the period attributable to shareholders of the Company of approximately HK\$10,127,000 and on the weighted average number of 182,983,000 ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share for the period ended 30th June, 2006 has been retrospectively adjusted for the effect of the capitalisation issue of 179,900,000 shares ("Capitalisation Issue") completed during the period.

For the period ended 30th June, 2005, the calculation of the basic earnings per share is based on the profit for the period of approximately HK\$10,364,000 and assuming 180,000,000 shares in issue and issuable, comprising 100,000 shares in issue as at 1st January, 2005 and 179,900,000 shares issued pursuant to the Capitalisation Issue.

There were no dilutive potential ordinary shares during the period and therefore, diluted earnings per share is not presented.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors consider that the carrying amount of the Group's investment properties at 30th June, 2006 does not differ significantly from that which would be determined using fair values. Consequently, no fair value adjustment has been recognised in the current period.

During the six months ended 30th June, 2006, the Group spent approximately HK\$27,400,000 on acquisition of property, plant and equipment, of which HK\$18,872,000 was acquired under finance leases.

9. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

The Group generally allows an average credit period of 30 days to 120 days to its trade customers. An analysis of trade and other receivables is as follows:

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Trade receivables, aged		
0 to 30 days	43,401	47,704
31 to 60 days	44,621	49,253
61 to 90 days	37,583	35,799
91 to 120 days	21,195	22,322
121 to 180 days	12,785	8,451
Over 180 days	890	3,166
	<hr/>	<hr/>
Total trade receivables, net of accumulated impairment	160,475	166,695
Other receivables	11,776	10,048
	<hr/>	<hr/>
	172,251	176,743
	<hr/> <hr/>	<hr/> <hr/>

(b) Bills receivable

The aged analysis of bills receivable is as follows:

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
0 to 30 days	913	2,061
31 to 60 days	1,842	1,269
61 to 90 days	1,906	2,859
91 to 180 days	290	1,817
Over 180 days	484	–
	<u>5,435</u>	<u>8,006</u>

10. TRADE, BILLS AND OTHER PAYABLES
(a) Trade and other payables

The aged analysis of trade and other payables is as follows:

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
0 to 30 days	28,210	25,688
31 to 60 days	28,932	23,120
61 to 90 days	28,710	25,354
91 to 180 days	24,400	33,855
Over 180 days	1,593	1,761
	<u>111,845</u>	<u>109,778</u>
Other payables	21,503	15,123
	<u>133,348</u>	<u>124,901</u>

(b) Bills payable

The aged analysis of bills payable is as follows:

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
0 to 30 days	4,176	6,120
31 to 60 days	1,955	10,485
61 to 90 days	554	6,955
91 to 180 days	279	7,721
	<u>6,964</u>	<u>31,281</u>

11. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately HK\$125,420,000. The new loans bear interest ranged from 6.65% to 6.67% per annum and are repayable in one to five years. The proceeds were used to finance the operations of the Group.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st January, 2005 and 30th June, 2005	10,000	1
Issue of shares	90,000	9
	<hr/>	<hr/>
At 31st December, 2005	100,000	10
Capitalisation issue	179,900,000	17,990
Issue of shares by way of placing and public offer	60,000,000	6,000
	<hr/>	<hr/>
At 30th June, 2006	<u>240,000,000</u>	<u>24,000</u>

13. CAPITAL COMMITMENTS

At 30th June, 2006, the Group had commitments of approximately HK\$12,245,000 (31st December, 2005: HK\$2,472,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

14. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to banks to secure the general banking facilities granted to the Group:

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
Bank deposits	8,594	3,138
Investment properties	2,400	2,400
Buildings	63,958	63,757
Prepaid lease payment	20,745	19,472
	<hr/>	<hr/>
	<u>95,697</u>	<u>88,767</u>

15. MAJOR NON-CASH TRANSACTIONS

	Six months ended 30th June, 2006 HK\$'000	2005 HK\$'000
Inception of finance leases in respect of property, plant and equipment	<u>18,872</u>	<u>4,715</u>

16. OPERATING LEASE

(a) Operating lease commitments

The Group as lessee

Minimum lease payments paid under operating leases:

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Premises	465	455

At the respective balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30th June, 2006	31st December, 2005
	HK\$'000	HK\$'000
Within one year	832	2,339
In the second to fifth year inclusive	2,324	2,701
	3,156	5,040

Operating lease payments represent rentals payable by the Group for certain of its offices, warehouses and factories. Leases are negotiated for an average term of two years with fixed rental.

(b) Operating lease arrangements

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of its properties:

	30th June, 2006	31st December, 2005
	HK\$'000	HK\$'000
Within one year	219	327
In the second to fifth year inclusive	554	554
After the fifth year	1,765	1,835
	2,538	2,716

The properties held have committed tenants for an average terms ranging from two to twenty years.

17. RELATED PARTY DISCLOSURES

(a) Banking facilities

In addition to the pledge of the Group's assets as set out in note 14, certain of the Group's banking facilities as at 30th June, 2006 were also secured by personal guarantees given by a director of the Company, Mr Yeung Hoi Shan and assets owned by him. The personal guarantees given by Mr Yeung were released in July 2006.

(b) Finance lease arrangement

As at 31st December, 2005, certain of the Group's obligations under finance leases were secured by the personal guarantee given by Mr Yeung which had been released during the period.

(c) The remunerations of directors who are regarded as key management personnel during the six month periods ended 30th June, 2006 and 2005 are set out in note 5.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Armed with a unique business model and boasting brilliant prospects, the Group's listing was a great success, marking a big stride in its business development and giving it an enhanced corporate profile. The encouraging subscription result demonstrated the confidence institutional and individual investors have in the Group. Worthy of mention is that the Group secured the industry giant Kingboard Chemical Holdings Limited (Stock code: 148) as a strategic investor. It has committed to holding through its wholly-owned subsidiary, Kingboard Investments Limited a total of 9.9% interest in the Group for a 6-month lock-up period after the listing. Kingboard will also contribute its expertise, experience and knowledge to assist development and expansion of the Group.

Based on the offer price of HK\$1.00 per share, the Group raised net proceeds amounted to approximately HK\$51.5 million for supporting the roll out of the Group's development blueprint.

Looking to the second half of 2006, the Group aims to expand its business particularly by developing multi-layered PCBs of higher layer count and widening its product scope. Committed to producing products of the highest quality and delivering tailor-made products to customers at short lead times, the Group will continue to ensure it is the preferred "one-stop-shop" for clients.

Financial Review

- Turnover

For the six months ended 30th June, 2006, the Group's turnover amounted to approximately HK\$247.9 million, representing an increase of 7% as compared to approximately HK\$232.1 million for the corresponding period last year. The increase in turnover was mainly driven by the steady growth of market demand for PCBs in the PRC.

Analysis of Group's turnover by geographical regions and by product type for the period ended 30th June 2006 are summarized as follows:

By geographical regions:

	For the six months ended		For the six months ended		Increase/ (decrease)	Change in
	30th June 2006		30th June 2005			
	HK\$'000	%	HK\$'000	%		%
Hong Kong	84,225	34.0%	96,284	41.5%	(12,059)	-12.5%
PRC	163,685	66.0%	135,427	58.3%	28,258	20.9%
Others	-	0.0%	437	0.2%	(437)	-100.0%
	247,910	100%	232,148	100%	15,762	6.8%

The location of the Group's customers is determined by the location of the entity placing order to the Group. A certain portion of sales made in Hong Kong and China were actually sales made pursuant to orders from companies located in the United States, Europe, Korea, Japan etc. and considered export sales to the Group.

By product type:

	For the six months ended 30th June 2006		For the six months ended 30th June 2005		Increase/ (decrease)	Change in
	HK\$'000	%	HK\$'000	%		
Single-sided	59,323	23.9%	78,153	33.7%	(18,830)	-24.1%
Double-sided	138,964	56.1%	130,780	56.3%	8,184	6.3%
Multi-layered	49,623	20.0%	23,215	10.0%	26,408	113.8%
	<u>247,910</u>	<u>100%</u>	<u>232,148</u>	<u>100%</u>	<u>15,762</u>	<u>6.8%</u>

- **Gross profit**

As a result of the continued focus on dedicating capacity to produce higher margin multi-layered PCBs, the Group's gross profit increased by 31.6% to approximately HK\$51.9 million. Gross profit margin increased to 20.9% from 17.0%. The increase was mainly attributed by the increase of production of multi-layered PCBs during the period of six months ended 30th June, 2006 in comparison with the same period in 2005.

- **Net profit**

Profit attributable to shareholders was approximately HK\$10.1 million (2005: HK\$10.4 million). This was distorted by the additional expenses of approximately HK\$5.4 million relating to the initial public offering. Excluding these expenses, profit attributable to shareholders grew approximately 43% when compared with the previous year.

- **Listing expenses**

Listing expenses refer to one-off expenses for listing of approximately HK\$7.1 million which were charged to the income statement.

- **Liquidity and Capital Resources**

As at 30th June, 2006, the Group had total assets of approximately HK\$554.7 million (31st December, 2005: HK\$491.5 million) and interest-bearing borrowings of approximately HK\$187.0 million (31st December, 2005: HK\$165.4 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 33.7% (31st December, 2005: 33.7%).

The Group's net current assets of approximately HK\$5.2 million (31st December, 2005: HK \$3.7 million) consisted of current assets of approximately HK\$304.9 million (31st December, 2005: HK\$259.6 million) and current liabilities of approximately HK\$299.8 million (31st December, 2005: HK\$255.9 million), representing a current ratio of approximately 1.0 (31st December, 2005: 1.0).

As at 30th June, 2006, the Group had cash and bank balances of approximately HK\$30.0 million (31st December, 2005: HK\$15.0 million). During the period, the Group recorded a cash inflow from the initial public offering of approximately HK\$60 million including the receivable from securities dealer of HK\$24 million.

– **Capital commitments**

As at 30th June 2006, the Group had commitments of approximately HK\$12.2 million (31st December 2005: HK\$2.5 million) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

– **Dividends**

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2006 (30th June, 2005: Nil).

– **Human Resources**

As at 30th June, 2006, the Group employed a total of approximately 1,880 employees (31st December, 2005: 1,632), including approximately 1,853 employees in its Zhongshan production site and approximately 27 employees in its Hong Kong office. Competitive remuneration packages were offered to employees. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals.

Business Review

The Group's products can be broadly classified into three categories, namely single-sided PCBs, double-sided PCBs and multi-layered PCBs, which contributed approximately 24%, 56% and 20% respectively of the Group's overall turnover for the period under review.

The products in the three categories are mainly used in consumer electronics, computers and computer peripherals, and communications equipment. During the review period, increasing purchasing power of consumers bred steady demand for consumer electronic products and increasing demands in computers and computer peripherals, and communication equipment, and in turn generating immense opportunities arose for the Group's PCBs. The major PCBs application sector is consumer electronics that accounted for approximately 54.6% of the Group's turnover.

With high quality products and one-stop services, the Group's clients comprise mainly EMS companies and OEMs that manufacture products for international electronics brands. During the period under review, the Group established solid relationships with over 280 clients and won several new customers, including LITEON group, EPSON, HUECO and EGO etc.

During the review period, the Group was committed to developing multi-layered PCBs. It undertook mass production of 8 layers PCBs and completed the prototype of 10- and 12-layer PCBs.

A key edge of the Group lies on its well-equipped semi-automated and automated production facilities, which give it the competitive strength of shortening production lead-time and responding promptly to market needs. During the period under review, the Group's production capacity reached to 38.4 million sq.ft. of PCBs in its 58,000 sq.m. plant at Zhongshan, Guangdong Province, the PRC.

Prospects

With the demand for PCBs increasing globally, particularly in China, the management is optimistic about the Group's prospects in the second half of 2006. It expects orders to stream in constantly in the coming months with seasonal growth of orders from existing customers and increasing orders from new customers.

Adhering to its proven business strategy, the Group will continue to expand production capacity to meet increasing market demand for PCBs. The Group is building a new plant by phases adjacent to Zhongzhan Plant and an approximately 12,000 sq.m. new floor will be available for use by end of 2006. This new plant will further enhance the Group's capability in producing multi-layered PCBs products of up to 10 to 12 layers by pin lamination process.

The Group will also see to drive business growth by diversifying its customer base. In addition to attracting new customers in the PRC, the Group will also extend its global reach to countries such as South Korea, which are strong producers of electronic products. At the tireless efforts of our local agents, sales in South Korea and Singapore have been increasing. In addition, the Group prepared some samples for approval by customers and as such achieved breakthroughs in Europe.

Looking ahead, to gear up for capitalizing on the substantial market opportunities ahead, the Group is expanding its production facilities to ensure it can deliver the best customized one-stop-service to customers. The management is confident that the Group will be able to bring fruitful results to shareholders in the second half year.

OTHER INFORMATION

Director's Interests and Short Positions in Shares and Underlying Shares of the Company and Its Associated Companies

As at 30th June, 2006, the interests and/or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

The Company

Name of director	Capacity		Number of ordinary shares held	Percentage of issued capital
Mr Yeung Hoi Shan	Beneficial	Long position	180,000,000	75%

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2006.

Substantial Shareholders

As at 30th June, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of a director, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name shareholders	Capacity		Number of ordinary shares held	Percentage of issued capital	Notes
Mr Yeung Hoi Shan	Beneficial		180,000,000	75%	
Ms Zhao Man Qi	Interest of spouse		180,000,000	75%	(1)
Hallgain Management Limited	Interest of controlled corporation		23,760,000	9.9%	(2)
Jamplan (BVI) Limited	Interest of controlled corporation		23,760,000	9.9%	(2)
Kingboard Chemical Holdings Limited	Interest of controlled corporation		23,760,000	9.9%	(2)
Kingboard Investments Limited	Beneficial		23,760,000	9.9%	(2)
Full Prosper Corporation	Beneficial		15,000,000	6.25%	(3)
Mr Lam Man Chan	Interest of controlled corporation		15,000,000	6.25%	(3)

- (1) Ms Zhao Man Qi is the spouse of Mr Yeung Hoi Shan.
- (2) Kingboard Investments Limited is a wholly-owned subsidiary of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings limited. Hallgain Management Limited owns 30.94% interest in Kingboard Chemical Holdings Limited.
- (3) Full Prosper Corporation is wholly-owned by Mr Lam Man Chan

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as recorded under Section 336 of the SFO as at 30th June, 2006.

Share Option Scheme

The Company conditionally adopted a share option scheme (the "Share option Scheme") on 5th June, 2006 which became unconditional on 23rd June, 2006. The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisors of the Group and to promote the success of the business of the Group. Eligible participants of the Share Option Scheme include any employee, director, consultant or advisor of the Group.

As at 30th June, 2006, no option had been granted or agreed to be granted to any person under the Share Option Scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company's shares were listed on the Main Board of the Stock Exchange on 23rd June, 2006. Save for the above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2006.

Compliance with the Code of Corporate Governance Practices

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing of its shares on the Main Board of the Stock Exchange on 23rd June, 2006, except the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer (“CEO”) be separate and not be performed by the same individual. The Company does not at present have any officer holding the position of CEO. At present, Mr Yeung Hoi Shan is the chairman of the Company and has carried out the responsibilities of CEO. Mr Yeung has the essential leadership skills to manage the Board and extensive knowledge to operate the business of the Group. The Board considers the present structure to be more suitable for the Company because it can promote efficient formulation and implementation of company strategies. However, the Board may consider separating the roles of the chairman and the chief executive officer if the Board considers it appropriate.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”)

The Company has also adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors. Specific enquiry was made with all the Directors and they confirmed that they had complied with the required standards set out in the Model Code regarding securities transactions by Directors since the listing of the Company’s shares on the Main Board of the Stock Exchange on 23rd June, 2006.

Audit Committee

The Company has set up an audit committee, in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises three independent non-executive directors with Mr Cheung Sui Wing, Darius as chairman. The interim results for the six months ended 30th June, 2006 had been reviewed by the Audit Committee.

Remuneration Committee

The Company has set up a remuneration committee, in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of formulating remuneration policy and structure for all the Directors and senior management personnel and for providing related advice and recommendations to the Board of Directors. The remuneration committee comprises three independent non-executive directors, namely Mr Cheung Sui Wing, Darius, Ms Ho Man Kay and Mr Wong Siu Fai, Albert and Chairman of the Company Mr Yeung Hoi Shan. Mr Yeung also chairs the remuneration committee.

Corporate Information

Executive Directors

Mr Yeung Hoi Shan (*Chairman*)
Mr Wong Wing Choi

Non-executive Directors

Madam Li Jinxia
Mr Yeung Tai Hoi

Independent Non-executive Directors and Audit Committee

Mr Cheung Sui Wing, Darius
Ms Ho Man Kay
Mr Wong Siu Fai, Albert

Remuneration Committee

Mr Yeung Hoi Shan
Mr Cheung Sui Wing, Darius
Ms Ho Man Kay
Mr Wong Siu Fai, Albert

Company Secretary and Qualified Accountant

Mr Pak Shek Kuen, CPA FCCA

Authorised Representatives

Mr Yeung Hoi Shan
Mr Pak Shek Kuen, CPA FCCA

Head Office

31/F, Aitken Vanson Centre
61 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Compliance Advisor

CAF Securities Company Limited

Auditors

Deloitte Touche Tohmatsu

Principal bankers

Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Bank of China (Hong Kong) Limited

Principal share register and transfer office

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share register and transfer office

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Investor and Media Relation

Strategic Financial Relations Limited

Stock Code

515

Web-site

www.tatchun.com

On behalf of the Board, I would like to extend our sincere appreciation to all management and staff members for their diligence and dedication, the continuing support of our business partners and the Company's shareholders.

On behalf of the Board

Yeung Hoi Shan

Chairman

Hong Kong, 21st September, 2006