



TC INTERCONNECT HOLDINGS LIMITED
達進精電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 515

Interim Report 2010

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Deloitte.

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Report on Review of Interim Financial Information

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 reviewed the interim financial information set out on pages 4 to 21 which comprise the condensed consolidated statement of financial position of TC Interconnect Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 August 2010

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 30 June 2010.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Turnover	3	418,805	331,460
Cost of sales		(364,380)	(283,490)
Gross profit		54,425	47,970
Other income		18,244	8,960
Other gains and losses		(4,522)	(4,061)
Selling and distribution expenses		(18,440)	(14,642)
Administrative expenses		(30,476)	(21,124)
Finance costs		(4,487)	(5,999)
Profit before tax		14,744	11,104
Income tax expense	4	(2,657)	(1,347)
Profit for the period and total comprehensive income for the period	5	12,087	9,757
Earnings per share	7		
– Basic (<i>HK cents</i>)		4.27	4.07
– Diluted (<i>HK cents</i>)		4.16	4.07

Condensed Consolidated Statement of Financial Position

AT 30 June 2010

	<i>Notes</i>	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Non-current assets			
Investment properties	8	3,800	3,800
Property, plant and equipment	8	428,028	439,599
Prepaid lease payments – non-current portion		22,228	22,535
Deposits paid for acquisition of property, plant and equipment		6,103	5,962
Prepayment	9	23,400	–
		483,559	471,896
Current assets			
Inventories		129,810	107,924
Prepaid lease payments – current portion		615	615
Trade and other receivables	10	267,658	229,973
Bills receivable	10	5,574	530
Tax recoverable		2,940	2,940
Derivative financial instruments	11	2,320	520
Restricted bank deposits	12	167,217	80,105
Bank balances, deposits and cash		110,865	50,312
		686,999	472,919
Current liabilities			
Trade and other payables	13	235,573	180,910
Bills payable	13	108,983	88,497
Derivative financial instruments	11	4,902	459
Taxation payable		18,208	16,999
Bank and other borrowings – due within one year	14	290,604	207,089
Obligations under finance leases – due within one year		23,469	33,675
Amount due to a shareholder		1,711	–
		683,450	527,629
Net current assets (liabilities)		3,549	(54,710)
Total assets less current liabilities		487,108	417,186

Condensed Consolidated Statement of Financial Position

(continued)

AT 30 June 2010

	<i>Notes</i>	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Non-current liabilities			
Bank and other borrowings			
– due after one year	14	9,877	13,099
Obligations under finance leases			
– due after one year		14,479	15,139
Amount due to a shareholder		–	21,142
Deferred tax liabilities		13,251	13,381
		37,607	62,761
Net assets		449,501	354,425
Capital and reserves			
Share capital	15	30,605	24,000
Reserves		418,896	330,425
Total equity		449,501	354,425

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	The People's Republic of China										
	Share capital	Share premium	Property revaluation reserve	statutory reserve	Special reserve	Share option reserve	Warrant reserve	Capital contribution reserve	Exchange reserve	Accumulated profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009 (audited)	24,000	30,609	23,661	3,546	1,156	6,148	-	1,830	79	244,688	335,717
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	-	9,757	9,757
Dividends paid	-	-	-	-	-	-	-	-	-	(2,400)	(2,400)
Release of deferred tax liabilities	-	-	104	-	-	-	-	-	-	-	104
Deemed capital contribution from a shareholder	-	-	-	-	-	-	-	706	-	-	706
Recognition of equity-settled share based payment	-	-	-	-	-	175	-	-	-	-	175
Release upon lapse of share options	-	-	-	-	-	(680)	-	-	-	680	-
At 30 June 2009 (unaudited)	24,000	30,609	23,765	3,546	1,156	5,643	-	2,536	79	252,725	344,059
Profit for the period	-	-	-	-	-	-	-	-	-	1,380	1,380
Surplus on revaluation of properties	-	-	6,878	-	-	-	-	-	-	-	6,878
Deferred tax liabilities arising from revaluation of properties	-	-	(1,823)	-	-	-	-	-	-	-	(1,823)
Total comprehensive income for the period	-	-	5,055	-	-	-	-	-	-	1,380	6,435

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2010

	The People's Republic of China										
	Share capital	Share premium	Property revaluation reserve	Statutory reserve (the "PRC")	Special reserve	Share option reserve	Warrant reserve	Capital contribution reserve	Exchange reserve	Accumulated profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recognition of equity-settled share based payment	-	-	-	-	-	3,931	-	-	-	-	3,931
Release upon lapse of share options	-	-	-	-	-	(237)	-	-	-	237	-
Subtotal	-	-	-	-	-	3,694	-	-	-	237	3,931
At 31 December 2009 (audited)	24,000	30,609	28,820	3,546	1,156	9,337	-	2,536	79	254,342	354,425
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	-	12,087	12,087
Issue of shares	6,314	74,486	-	-	-	-	-	-	-	-	80,800
Issue cost of shares	-	(1,160)	-	-	-	-	-	-	-	-	(1,160)
Issue of share upon the exercise of share options	291	4,031	-	-	-	(1,204)	-	-	-	-	3,118
Issue of warrants	-	-	-	-	-	-	1,750	-	-	-	1,750
Dividends paid	-	-	-	-	-	-	-	-	-	(3,060)	(3,060)
Reversal of deemed capital contribution from a shareholder arising from early repayment	-	-	-	-	-	-	-	(643)	-	-	(643)
Release of deferred tax liabilities	-	-	130	-	-	-	-	-	-	-	130
Recognition of equity-settled share based payment	-	-	-	-	-	2,054	-	-	-	-	2,054
At 30 June 2010 (unaudited)	30,605	107,966	28,950	3,546	1,156	10,187	1,750	1,893	79	263,369	449,501

Note: The warrant reserve represents the amounts recognised in respect of 35,000,000 warrants at HK\$0.05 each issued by the Company on 21 January 2010 to six independent third parties, which entitle the warrant subscribers to subscribe for 35,000,000 new shares of the Company at a subscription price of HK\$1.45 each (subject to anti-dilutive adjustment) for a period of twelve months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe one new share.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash from operating activities	<u>55,536</u>	<u>27,984</u>
Net cash used in investing activities		
Restricted bank deposits placed in banks	(87,112)	(24,619)
Purchase of property, plant and equipment	(5,121)	(7,417)
Proceeds from disposal of investment designated at fair value through profit or loss	–	8,890
Other investing cash flows	<u>1,280</u>	<u>7,431</u>
	(90,953)	(15,715)
Net cash from (used in) financing activities		
Borrowings raised	256,068	201,848
Net proceeds from issue of shares	64,358	–
Repayment of bank and other borrowings	(175,775)	(211,660)
Repayment of obligations under finance leases	(21,060)	(22,980)
Repayment to a shareholder	(20,074)	–
Interest expense	(4,487)	(5,999)
Dividend paid	(3,060)	(2,400)
	<u>95,970</u>	<u>(41,191)</u>
Net increase (decrease) in cash and cash equivalents	60,553	(28,922)
Cash and cash equivalents at 1 January	<u>50,312</u>	<u>59,828</u>
Cash and cash equivalents at 30 June represented by bank balances, deposits and cash	<u>110,865</u>	<u>30,906</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

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 of Hong Kong Limited and with the 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, buildings and certain financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

The fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the accumulated profits.

In the current interim period, the following revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA have become effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January, 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January, 2010.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leases was required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendment to HKAS 17 has had no effect on the condensed financial statements of the Group for the current or prior accounting period.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 32 (Amendment)	Classification of Rights Issues ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ²
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁴

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2013

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements.

3. SEGMENT INFORMATION

The following is an analysis of the Group's turnover and results by operating segment for the periods under review:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover – external sales		
Single-sided	108,795	86,673
Double-sided	144,788	96,527
Multi-layered	165,222	148,260
	418,805	331,460
Segment results		
Single-sided	4,479	4,024
Double-sided	8,193	2,969
Multi-layered	13,089	11,363
	25,761	18,356
Other income	1,879	1,187
Central administrative costs	(7,056)	(3,566)
Fair value changes of investment designated at fair value through profit or loss	–	(459)
Fair value changes of derivative financial instruments	(1,353)	1,585
Finance costs	(4,487)	(5,999)
Profit before tax	14,744	11,104

3. SEGMENT INFORMATION *(continued)*

Segment profit represents the profit earned by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee and depreciation of property, plant and equipment for administrative purpose), fair value changes of investment designated at fair value through profit or loss, fair value changes of derivative financial instruments and finance costs. This is the measure reported to the Group's Chief Executive Officer for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

Six months ended 30 June	
2010	2009
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The charge comprises:

Enterprise Income Tax ("EIT") in other regions of the PRC	2,657	1,173
Deferred tax	-	174
	2,657	1,347

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2009: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made as there was no assessable profit for both periods.

PRC EIT is calculated at 12.5% to 25% relevant to the PRC subsidiaries where applicable.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits amounting to approximately HK\$103,770,000 (31 December 2009: HK\$64,123,000) earned by the subsidiaries in the PRC, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors emoluments	3,935	2,284
Other staff costs	59,045	41,526
Equity-settled share-based payment expenses other than directors	1,411	194
	<hr/>	<hr/>
Total staff costs	64,391	44,004
Depreciation and amortisation	26,130	25,501
Impairment loss recognised on trade receivables (included in other gains and losses)	-	986
Fair value changes of investment designed at fair value through profit or loss (included in other gains and losses)	-	459
Fair value changes of derivative financial instruments (included in other gains and losses)	1,353	(1,585)
Reversal of impairment loss recognised on trade receivables (included in other gains and losses)	(2,045)	(856)
Interest income	(584)	(453)
Sales of scrap materials	(16,365)	(8,027)
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

During the period, a dividend of HK1 cent per share amounting to HK\$3,060,000 (six months ended 30 June 2009: 2008 final dividend of HK1 cent per share amounting to HK\$2,400,000) was paid to the shareholders as the final dividend for 2009.

The Board did not recommend the payment of an interim dividend for both periods.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for purposes of basic and diluted earning per share	12,087	9,757
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	283,377	240,000
Effect of dilutive potential ordinary shares:		
Share options	5,145	–
Warrants	1,911	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	290,433	240,000

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

At 30 June 2010, the directors considered that the carrying amount of the Group's investment properties and buildings do not differ significantly from that which would be determined using fair values at the end of the reporting period. Consequently, no fair value adjustment or revaluation surplus or deficit has been recognised in the current period.

During the six months ended 30 June 2010, the Group spent HK\$15,315,000 (six months ended 30 June 2009: HK\$20,133,000) on acquisition of property, plant and equipment, of which HK\$10,194,000 (six months ended 30 June 2009: HK\$10,342,000) was acquired under finance leases.

9. PREPAYMENT

Pursuant to investment co-operation agreement as supplemented by the first supplemental agreement and second supplemental agreement entered into by the Company and certain investors, details of which are set out in the Company's circular dated 22 April 2010, the Company, Orient Opto-Semiconductors Corporation ("Dongfang"), an independent third party, Mr. Zhu Jianqin ("Mr. Zhu"), a shareholder and director of Dongfang, TC (BVI) Limited ("TC (BVI)"), a wholly owned subsidiary of the Company, agreed to jointly establish a company ("Newco") initially to be held as to 51% by TC (BVI), 30% by Dongfang and 19% by Mr. Zhu, in which the contribution from Mr. Zhu represents the intellectual properties held by Mr. Zhu. Following the establishment of Newco Company, the Company shall acquire Mr. Zhu's 19% equity interest in the Newco, by an agreed consideration of HK\$28,400,000, which represented the fair value of the intellectual properties shall be satisfied by way of payment of cash (as to HK\$10,000,000) and by way of issuance and allotment of 15,137,803 Company's shares (the "Acquisition"). The Acquisition is considered as acquisition of intellectual properties by the Group which will be injected to Newco. On 31 May 2010, the Company issued an aggregate of 15,137,803 ordinary shares of HK\$0.1 each at agreed price of HK\$1.2155 per share (the aggregate amount of the ordinary shares is HK\$18,400,000) and paid cash of HK\$5,000,000 to Mr. Zhu. A further supplemental agreement was entered into by the Company and investors to defer the payment of cash of HK\$5,000,000 to May 2011.

Since the capital of Newco was not yet verified at 30 June 2010, including the intellectual properties contributed by Mr. Zhu, the amount paid was recognised as a prepayment for acquisition of intellectual properties, and therefore classified as a non-current asset.

The fair value of the intellectual properties at the transaction date have been arrived at on the basis of a valuation carried out by an independent qualified professional valuers.

10. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

The Group generally allows an average credit period of 30 days to 150 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 – 30 days	46,959	72,010
31 – 60 days	72,846	65,173
61 – 90 days	59,713	43,704
91 – 180 days	50,620	21,348
Over 180 days	2,298	2,399
	232,436	204,634
Deposits, prepayments and other receivables	35,222	25,339
	267,658	229,973

(b) Bills receivable

The aged analysis of bills receivable represented based on the invoice date at the end of the reporting period is as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 – 30 days	4,078	530
31 – 60 days	1,054	–
61 – 90 days	442	–
	5,574	530

11. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2010, the Group has outstanding forward contracts, currency structured forward contracts and a commodity linked contract entered into during the period to manage its exchange rate risk and price risk. The fair values of forward contracts are determined based on the difference between the market forward rates at the end of the reporting period for the remaining duration of the outstanding contracts and their contracted forward rate and discounted using an approximate discount rate to take account of the time value of money. The fair values of currency structured forward contracts and commodity linked contract are determined by using the Monte Carlo Simulation Model.

12. RESTRICTED BANK DEPOSITS

As at 30 June 2010, the restricted bank deposits comprise deposits for the issue of bills payable of HK\$33,489,000 (31 December 2009: HK\$16,057,000) and pledged deposits of HK\$133,728,000 (31 December 2009: HK\$64,048,000) for short-term bank borrowings.

13. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 – 30 days	50,001	30,900
31 – 60 days	49,720	34,135
61 – 90 days	35,138	21,950
91 – 180 days	47,199	62,111
Over 180 days	3,470	1,069
	185,528	150,165
Other payables, accruals and temporary receipts	50,045	30,745
	235,573	180,910

(b) Bills payable

The aged analysis of bills payable represented based on the invoice date at the end of the reporting period is as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 – 30 days	35,296	23,291
31 – 60 days	23,878	14,568
61 – 90 days	20,095	10,207
91 – 180 days	29,714	40,431
	108,983	88,497

14. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$256,068,000 (six months ended 30 June 2009: HK\$201,848,000). The new loans bear fixed interest rate of 5.00% per annum and variable interest of Hong Kong inter-bank offered rate plus 2.5%, the effective interest rate ranging from 0.9386% to 5.00% (six months ended 30 June 2009: 0.73% to 5.84%) per annum and are payable within one year. The proceeds are used to finance the operations of the Group.

15. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2009, 30 June 2009 and 31 December 2009	240,000,000	24,000
Issue of shares (<i>Note i</i>)	48,000,000	4,800
Issued in consideration for the prepayment of acquisition of intellectual properties (<i>Note ii & Note 9</i>)	15,137,803	1,514
Exercise of share options	<u>2,914,000</u>	<u>291</u>
At 30 June 2010	<u>306,051,803</u>	<u>30,605</u>

Notes:

- (i) On 3 February 2010, 48,000,000 ordinary shares of the Company were placed at a price of HK\$1.30 per placing share through a top-up placing and subscription arrangement. Accordingly, the Company's share capital was increased by HK\$4,800,000, the excess of the par value was credited to the share premium account.
- (ii) On 31 May 2010, the Company issued an aggregate of 15,137,803 ordinary shares of HK\$0.1 each at the agreed price of HK\$1.2155 per consideration share as part of the consideration of the prepayment for acquisition of intellectual properties. The aggregate amount of the consideration is HK\$18,400,000. The excess of the par value was credited to the share premium account.

These ordinary shares issued during the period rank pari passu in all respects with the then existing shares.

16. SHARE OPTION SCHEME

The Company has a share option scheme for the eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	30,140,000
Exercised during the period	<u>(2,914,000)</u>
Outstanding at the end of the period	<u><u>27,226,000</u></u>

The weighted average closing price of the Company's shares immediately before the dates on which options were exercised was HK\$1.62.

During the period, the Group recognised share-based payment of HK\$2,054,000 (six months ended 30 June 2009: HK\$175,000).

17. CAPITAL COMMITMENTS

At 30 June 2010, the Group had commitments of approximately HK\$20,060,000 (31 December 2009: HK\$15,790,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

18. PLEDGE OF ASSETS

The following assets were pledged to banks to secure general banking facilities granted to the Group:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Buildings	139,867	141,776
Plant and machinery	27,221	31,072
Restricted bank deposits	167,217	80,105
Prepaid lease payments	10,213	23,150
	<u>344,518</u>	<u>276,103</u>

19. EVENTS AFTER THE REPORTING PERIOD

- (i) On 20 May 2010, the Company entered into three conditional convertible bond subscription agreements (as amended by a supplemental agreement dated 31 May 2010) of an aggregate amount of HK\$40,000,000 with subscribers at a conversion price of HK\$2 per share for a period of eighteen months commencing from the date of issue of the convertible bonds (the "CB Subscription").

On the same date, the Company also entered into six conditional warrant subscription agreements with subscribers with warrant subscription of a total of 8,000,000 warrants to be issued at HK\$0.03 per warrant, at a conversion price of HK\$1.65 per share for a period of twelve months commencing from the date of issue of the warrants (the "Warrant Subscription").

The CB Subscription and Warrant Subscription were approved by ordinary resolution in the Extraordinary General Meeting of the Company held on 12 July 2010. The transactions were completed on 15 July 2010. The net proceeds of HK\$20,240,000 will be applied towards general working capital of the Group.

- (ii) On 14 July 2010, 14,650,000 share options (the "Share Options") to subscribe for the ordinary shares of HK\$0.10 each of the Company at an exercise price of HK\$1.50 per shares were granted, subject to acceptance of the grantees, under the share option scheme adopted by the Company on 5 June 2006. 11,800,000 Share Options out of the aggregate of 14,650,000 Share Options were granted to the directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in manufacturing and trading of board range of PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown are summarized as follows:

	Fox the six months ended 30 June 2010		For the six months ended 30 June 2009		Increase/ (Decrease) HK\$'000	Change in %
	HK\$'000	%	HK\$'000	%		
Single-sided	108,795	26.0	86,673	26.2	22,122	25.5
Double-sided	144,788	34.6	96,527	29.1	48,261	50.0
Multi-layered	165,222	39.4	148,260	44.7	16,962	11.44
	418,805		331,460		87,345	26.35

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, communications equipment and automotive applications. During the review period, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 55.0% of the Group's turnover. By products, the Group has achieved the highest growth from double-sided PCBs, accounted for approximately 50% where there were stable increases in single-sided and multi-layered PCBs. Due to this temporary shift in product mix, multi-layered PCBs contributed only approximately 39.4% of the turnover under the review period, as compared to approximately 44.7% for the same period in 2009. The multi-layered PCBs, during the review period, could not be the drive engine was mainly due to the pressure of raw material costs that cut the gross margins of these products and the Company took time to reflect the increasing costs in the selling prices under this category.

Moreover, the Group's turnovers by geographical regions are summarized as follows:

	Fox the six months ended 30 June 2010		Fox the six months ended 30 June 2009		Increase/ (Decrease) HK\$'000	Change in %
	HK\$'000	%	HK\$'000	%		
Hong Kong	108,338	25.9	67,151	20.2	41,187	61.3
PRC	111,517	26.7	51,420	15.5	60,097	116.9
Europe	38,593	9.2	92,316	27.9	(53,723)	(58.2)
Asia	144,321	34.5	113,235	34.2	31,086	27.5
Others	16,036	3.7	7,338	2.2	8,698	118.5
	418,805		331,460		87,345	26.4

Financial Review

For the six months ended 30 June 2010, the Group's turnover amounted to approximately HK\$418.8 million, representing an increase of 26.4% as compared to approximately HK\$331.5 million for the corresponding period last year.

The Groups' gross profit has increased by 13.5% to approximately HK\$54.4 million. Gross profit margin dropped to approximately 13.0%. The decrease in gross profit was mainly attributable by under-utilisation of the Group's existing production capacities particularly in the first quarter of the year due to decrease in demand of PCB. Profit attributable to shareholders was approximately HK\$12.1 million, (2009: HK\$9.8 million), representing an increase of 23.9%.

Liquidity and Capital Resources

As at 30 June 2010, the Group had total assets of approximately HK\$1,170.6 million (31 December 2009: HK\$944.8 million) and interest-bearing borrowings of approximately HK\$338.4 million (31 December 2009: HK\$269.0 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 28.9% (31 December 2009: 28.5%).

The Group's net current asset of approximately HK\$3.5 million (31 December 2009: net current liabilities HK \$ 54.7 million) consisted of current assets of approximately HK\$687.0 million (31 December 2009: HK\$472.9 million) and current liabilities of approximately HK\$683.4 million (31 December 2009: HK\$527.6 million), representing a current ratio of approximately 1.0 (31 December 2009: 0.9).

As at 30 June 2010, the Group had cash and bank balances of approximately HK\$278.1 million (31 December 2009: HK\$130.4 million).

Foreign Currency Exposure

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong Dollars, United States Dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars and RMB are required to settle the Group's expenses and additions on plant and equipment. The Group will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

Dividends

The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2010 (30 June 2009: Nil).

Human Resources

As at 30 June 2010, the Group employed a total of approximately 3,750 employees (31 December 2009: 3,362), including approximately 3,727 employees in its Zhongshan production site and approximately 23 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive Directors and members of the senior management are also reviewed by the remuneration committee. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group also holds regular training programmes and also encourages staff to attend training courses and seminars that are related directly and indirectly to the Group's business.

Prospects

The Group will continue to focus on its core PCB business which provides a steady cashflow, and proactively engage in the new LED lighting business, which serves as the highlight of future business growth.

PCB business will remain as the Group's core business and we are confident in its prospect by leveraging on our strong research and development ability and long term relationship with existing clients in the automobile and electronic industry. In view of the "Rural Area Subsidized Electrical Appliances Purchase Policy" and "Home Appliances Replacement Policy", the electronic appliances consumption in domestic market in the PRC is increasing and thus demand for PCB is expected to keep growing continuously.

In respect of LED lighting business, the Group strategically strives to be the market leader in the LED lighting industry in the PRC. The LED lighting industry in the PRC is very fragmented with small local enterprises not having technology and working capital. Most of them are not qualified to bid for the LED road lamps installation contracts from the local government. With our strong financial position and our proprietary technological expertise, the Group is well positioned to aim for the LED lighting market leader in the PRC.

The demand for LED lights and road lamps is promising. Given the implementation of the government policies "10 Cities 10,000 LED Lights" and "Lights over Thousand Miles" in 2009, there will be an installation of approximately 300,000 LED road lamps in 10 to 20 cities in the PRC in 2010. With 21 cities including Beijing, Shanghai, Shenzhen, etc are participating in these projects, it is expected that the demand for road lamps will significantly increase in the coming three years to approximately 2.5 million road lamps installation.

To capture this appealing market opportunity, the Group formed a strategic alliance with AV Concept Holdings Limited in July 2010 to jointly explore the LED lighting market in the PRC, with the first batch of target areas including Chengdu, Yangzhou and Tianjin. In April 2010, the Group also formed a joint venture with LED lighting technology developer and operator, Orient Opto – Semiconductors Corp., to carry out the operation and management of energy saving projects and the sales and marketing of LED lighting and other energy saving products. These strategic alliances create synergy and pave the way for further development of LED lighting business in the PRC.

The Group is also constantly exploring high growth and potential projects in order to broaden the income stream and increase shareholders' value. A joint venture is formed in Shenzhen between the Group and Feng Run Enterprise Limited ("Feng Run") in June 2010. The joint venture will be engaged in LED lighting installation projects, maintenance of LED lighting and business development in the LED lighting market. Through the extensive market experience and sales network of Feng Run, it is expected that the joint venture will contribute profit to the Group in coming years. Going forward, the Group will seek merger and acquisition or joint venture opportunities to further capture the tremendous potential of LED lighting business in the PRC.

OTHER INFORMATION

Connected Transaction

On 29 December 2008, the Company entered into an agreement with Mr. Yeung Hoi Shan, being the substantial shareholder and executive director of the Company, to advance an amount of approximately HK\$22,457,000 to the Group for the purpose of financing the daily operation of the Group (the "Advance"). The amount is unsecured, interest-free and repayable on 29 June 2010. The Advance has been extended on 22 June 2009 for seven months under the same terms and repayable on 31 January 2011. As at 30 June 2010, the outstanding was HK\$1,711,000.

The Advance constituted an exempted connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Directors' Interests in Shares

At 30 June 2010, the interests of the directors and their associates in the shares and underlying shares of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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:

Interest in securities

Name of director	Capacity	Number of ordinary shares held	Percentage of issued capital
Yeung Hoi Shan	Beneficial	179,000,000	58.49%

Interests in underlying shares pursuant to share options

Name of director	Capacity	Date of grant	Exercise price per share HK\$	Number of share options granted	Exercisable period
Yeung Hoi Shan	Beneficial	3 July 2007	1.52	2,000,000	(Note 1)
		29 September 2009	1.07	2,400,000	(Note 2)
Pak Shek Kuen	Beneficial	3 July 2007	1.52	2,000,000	(Note 1)
		29 September 2009	1.07	1,900,000	(Note 2)
Li Jinxia	Beneficial	3 July 2007	1.52	1,000,000	(Note 1)
		29 September 2009	1.07	700,000	(Note 2)
Yeung Tai Hoi	Beneficial	3 July 2007	1.52	200,000	(Note 1)
		29 September 2009	1.07	140,000	(Note 2)
Cheung Kwok Ping	Beneficial	29 September 2009	1.07	140,000	(Note 2)
Cheung Sui Wing, Darius	Beneficial	3 July 2007	1.52	200,000	(Note 1)
		29 September 2009	1.07	140,000	(Note 2)
Ho Man Kay	Beneficial	3 July 2007	1.52	200,000	(Note 1)
		29 September 2009	1.07	140,000	(Note 2)
Wong Siu Fai, Albert	Beneficial	3 July 2007	1.52	200,000	(Note 1)
		29 September 2009	1.07	140,000	(Note 2)

The options were granted on 3 July 2007 with exercise price HK\$1.52 and granted on 29 September 2009 with exercise price HK\$1.07.

Other than 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 30 June 2010.

Notes:

- Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date of grant. The options will be expired on 2 July 2011.
- Options are exercisable subject to (i) up to 30% of the options are exercisable on or after 29 September 2009; (ii) up to 60% of the options are exercisable on or after 29 September 2010; and (iii) all the remaining options are exercisable on or after 29 September 2011. The options will be expired on 28 September 2015.

Substantial Shareholders

At 30 June 2010, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interest in securities

Name of shareholders	Capacity	Number of ordinary shares held	Percentage of issued capital
Zhao Man Qi (Note 1)	Interest of spouse	179,000,000	58.49%

Interest in underlying shares pursuant to share options

Name of shareholders	Capacity	Date of grant	Number of share options granted	Exercise price HK\$
Zhao Man Qi (Note 1)	Interest of spouse	3 July 2007	2,000,000	1.52
		29 September 2009	2,400,000	1.07

Note:

- (1) Ms Zhao Man Qi is the spouse of Mr Yeung Hoi Shan.

Other than 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 30 June 2010.

Share Option Scheme

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The directors may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK\$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the share options held by the directors are as follows:

	Balance as at 30 June 2010
Yeung Hoi Shan	4,400,000
Pak Shek Kuen	3,900,000
Madam Li Jinxia	1,700,000
Yeung Tai Hoi	340,000
Cheung Kwok Ping	140,000
Cheung Sui Wing, Darius	340,000
Ho Man Kay	340,000
Wong Siu Fai, Albert	340,000
	<hr/>
Total	11,500,000
	<hr/> <hr/>

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

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 Listing Rules during the six months ended 30 June 2010.

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 for the six months ended 30 June 2010.

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 30 June 2010 had been reviewed by the Audit Committee.

Remuneration Committee

The Group 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, a non-executive director Mr Cheung Kwok Ping and Chairman of the Company and executive director Mr Yeung Hoi Shan. Mr Yeung also chairs the remuneration committee.

Corporate Information

Executive Directors

Mr Yeung Hoi Shan (*Chairman*)
Mr Pak Shek Kuen

Non-executive Directors

Madam Li Jinxia
Mr Yeung Tai Hoi
Mr Cheung Kwok Ping

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
Mr Cheung Kwok Ping

Company Secretary and Qualified Accountant

Mr Pak Shek Kuen, CPA FCCA

Authorised Representatives

Mr Yeung Hoi Shan
Mr Pak Shek Kuen, CPA FCCA

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Hong Kong

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Cayman Islands

Auditors

Deloitte Touche Tohmatsu

Investor Relations Consultant

NCC Financial PR Limited

Principal Bankers

China Construction Bank Corporation,
Zhongshan Branch
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited
Citic Ka Wah Bank Limited

Principal Share Register and Transfer Office

HSBC Trustee (Cayman) Limited
PO Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

Hong Kong Branch Share Register and Transfer Office

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

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, 23 August 2010