

2011

INTERIM REPORT



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



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Deloitte.

德勤

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 22 which comprise the condensed consolidated statement of financial position of TC Interconnect Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2011 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

29 August 2011

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 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	NOTES	For the six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Turnover	3	634,162	418,805
Cost of sales		(515,158)	(364,380)
Gross profit		119,004	54,425
Other income		18,339	18,244
Other gains and losses		(2,146)	(4,522)
Selling and distribution expenses		(21,871)	(18,440)
Administrative expenses		(39,444)	(30,476)
Finance costs		(4,325)	(4,487)
Profit before tax		69,557	14,744
Income tax expense	4	(18,184)	(2,657)
Profit for the period	5	51,373	12,087
Other comprehensive income for the period:			
Exchange differences arising on translation		6,288	–
Total comprehensive income for the period		57,661	12,087
Profit for the period attributable to:			
Owners of the Company		41,116	12,087
Non-controlling interests		10,257	–
		51,373	12,087
Total comprehensive income for the period attributable to:			
Owners of the Company		45,498	12,087
Non-controlling interests		12,163	–
		57,661	12,087
Earnings per share	7		
– Basic (HK cents)		9.66	4.27
– Diluted (HK cents)		9.41	4.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	418,769	434,398
Prepaid lease payments			
– non-current portion		21,612	21,920
Intangible assets		55,969	53,589
Trade receivables	9(a)	121,458	70,840
Deposits paid for acquisition of property, plant and equipment		6,636	7,296
		624,444	588,043
Current assets			
Inventories		143,218	120,416
Prepaid lease payments – current portion		615	615
Trade and other receivables	9(b)	534,926	372,436
Bills receivable	9(c)	4,208	8,063
Tax recoverable		3,066	2,940
Derivative financial instruments	10	1,504	1,455
Restricted bank deposits	11	308,604	251,730
Bank balances, deposits and cash		261,604	148,266
		1,257,745	905,921
Current liabilities			
Trade and other payables	12(a)	292,805	230,188
Bills payable	12(b)	118,997	118,412
Amount due to a shareholder		–	5,000
Derivative financial instruments	10	2,279	1,179
Taxation payable		53,308	35,856
Bank borrowings – due within one year	13	461,318	428,451
Obligations under finance leases			
– due within one year		9,869	18,363
		938,576	837,449
Net current assets		319,169	68,472
Total assets less current liabilities		943,613	656,515

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2011

	NOTES	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Non-current liabilities			
Obligations under finance leases			
– due after one year		13,740	13,640
Deferred tax liabilities		11,743	11,743
		25,483	25,383
Net assets		918,130	631,132
Capital and reserves			
Share capital	14	44,458	36,773
Reserves		817,661	553,963
Equity attributable to owners of the Company		862,119	590,736
Non-controlling interests		56,011	40,396
Total equity		918,130	631,132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company																
	Share capital	Share premium	Capital redemption reserve	Treasury share	Property revaluation reserve	Property (the "PRC") statutory reserve	Special reserve	Convertible loan notes equity reserve	Share option reserve	Warrant reserve	Capital reserve	Exchange reserve	Accumulated profits	Total	Non-controlling interests	Total equity	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 2010 (audited)	24,000	30,639	-	-	28,820	3,546	1,156	-	9,337	-	2,536	79	254,342	354,425	-	354,425	
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	12,087	12,087	-	12,087	
Issue of shares	6,314	74,486	-	-	-	-	-	-	-	-	-	-	80,800	80,800	-	80,800	
Issue cost of shares	-	(1,160)	-	-	-	-	-	-	-	-	-	-	(1,160)	(1,160)	-	(1,160)	
Issue of shares upon exercise of share options	281	4,031	-	-	-	-	-	(1,204)	-	-	-	-	3,118	3,118	-	3,118	
Issue of warrants	-	-	-	-	-	-	-	-	1,750	-	-	-	1,750	1,750	-	1,750	
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(3,060)	(3,060)	-	(3,060)	
Release upon early repayment of interest-free shareholder's loan	-	-	-	-	-	-	-	-	-	-	(643)	-	-	(643)	-	(643)	
Release of deferred tax liabilities	-	-	-	-	130	-	-	-	-	-	-	-	-	130	-	130	
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	-	2,054	-	-	-	-	2,054	-	2,054	
At 30 June 2010 (unaudited)	30,605	107,966	-	-	28,860	3,546	1,156	-	10,187	1,750	1,883	79	263,369	449,501	-	449,501	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2011

	Attributable to owners of the Company																
	Share capital	Share premium	Capital redemption reserve	Treasury share	Property revaluation reserve	Property of the People's Republic of China (the "PRC") statutory reserve	Special reserve	Convertible loan notes equity reserve	Share option reserve	Warrant reserve	Capital contribution reserve	Exchange reserve	Accumulated profits	Total equity	Non-controlling interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	30,417	30,417	6,972	37,389	-
Other comprehensive income for the period	-	-	-	-	5,564	-	-	-	-	-	-	-	-	5,564	-	5,564	-
Total comprehensive income for the period	-	-	-	-	5,564	-	-	-	-	-	-	-	30,417	35,981	6,972	42,953	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,424	33,424
Issue of shares upon exercise of share options	1,108	21,001	-	-	-	-	-	(6,885)	-	-	-	-	-	15,224	-	15,224	-
Issue of warrants	-	-	-	-	-	-	-	-	240	-	-	-	-	240	-	240	-
Issue of shares upon exercise of warrants	3,060	42,948	-	-	-	-	-	(1,516)	-	-	-	-	-	44,490	-	44,490	-
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,125	4,125
Release upon lapse of share options	-	-	-	-	-	-	-	(729)	-	-	-	-	129	-	-	-	-
Recognition of equity component of convertible loan notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,328	5,328
Conversion of equity component of convertible loan notes	2,000	39,175	-	-	-	-	-	(5,328)	-	-	-	-	-	35,847	-	35,847	-
Transfer	-	-	-	-	-	2,582	-	-	-	-	-	-	(2,582)	-	-	-	-
At 31 December 2010 (audited)	38,773	211,000	-	-	34,514	6,128	1,156	-	7,298	472	1,893	79	291,333	590,736	40,396	631,132	-
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	41,116	41,116	10,257	51,373	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	4,382	4,382	1,906	6,288	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	4,382	41,116	12,163	57,661	-
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,462	3,462
Issue of shares	6,000	221,400	-	-	-	-	-	-	-	-	-	-	-	227,400	-	227,400	-
Issue cost of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,110)	-	(12,110)	-
Issue of shares upon exercise of share options	555	9,203	-	-	-	-	-	(2,839)	-	-	-	-	-	6,920	-	6,920	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,944)	-	(10,944)	-
Recognition of equity-settled share based payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,800	4,800
Release upon lapse of share options	1,240	16,692	-	-	-	-	-	(771)	-	-	-	-	171	-	-	19,460	-
Issue of shares upon exercise of warrants	-	-	-	-	-	-	-	-	(472)	-	-	-	-	(472)	-	(472)	-
Shares repurchased and cancelled	(110)	(3,966)	110	-	-	-	-	-	-	-	-	-	(110)	(4,076)	-	(4,076)	-
Share repurchased and held as treasury share	-	-	-	(5,565)	-	-	-	-	-	-	-	-	-	-	-	(5,565)	-
At 30 June 2011 (unaudited)	44,458	444,329	110	(5,565)	34,514	6,128	1,156	-	9,089	-	1,893	4,461	321,566	682,119	56,011	918,130	-

Note: Capital redemption reserve represents the aggregate par value of shares which have been repurchased and cancelled.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(58,260)	55,536
Net cash used in investing activities		
Addition of restricted bank deposits	(167,191)	(187,236)
Purchase of property, plant and equipment	(1,589)	(5,121)
Repayment of restricted bank deposits	110,317	100,124
Other investing cash flows	(5,497)	1,280
	(63,960)	(90,953)
Net cash from financing activities		
Borrowings raised	301,367	256,068
Proceeds from issue of shares	253,780	65,518
Repayment of bank borrowings	(268,500)	(175,775)
Expense on issue of shares	(12,110)	(1,160)
Dividend paid	(10,944)	(3,060)
Repayment of obligations under finance leases	(10,878)	(21,060)
Payment on repurchase of shares	(9,641)	–
Repayment to a shareholder	(5,000)	(20,074)
Interest paid	(4,325)	(4,487)
	233,749	95,970
Net increase in cash and cash equivalents	111,529	60,553
Cash and cash equivalents at 1 January	148,266	50,312
Effect of foreign exchange rate changes	1,809	–
Cash and cash equivalents at 30 June, represented by bank balances, deposits and cash	261,604	110,865

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 (the "Stock Exchange") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for buildings and certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Company has repurchased its shares from the Stock Exchange in the current period and the accounting policy is as follows:

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

In the current interim period, the Group has also applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.



2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The following is an analysis of the Group's turnover and results by operating and reportable segments for the period under review:

	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Turnover-external sales		
Manufacturing and trading of single-sided printed circuit boards ("PCB") ("Single-sided PCB")	109,615	108,795
Manufacturing and trading of double-sided PCB ("Double-sided PCB")	192,491	144,788
Manufacturing and trading of multi-layered PCB ("Multi-layered PCB")	153,725	165,222
Manufacturing and trading of light emitting diode ("LED") lighting ("LED lighting")	178,331	–
Total	634,162	418,805
Segment profits		
Single-sided PCB	2,570	4,479
Double-sided PCB	6,848	8,193
Multi-layered PCB	9,571	13,089
LED lighting	59,617	–
	78,606	25,761
Other income	1,238	1,879
Central administrative costs	(5,669)	(7,056)
Fair value changes of derivative financial instruments	(293)	(1,353)
Finance costs	(4,325)	(4,487)
Profit before tax	69,557	14,744

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, exchange loss and depreciation of property, plant and equipment for administrative purpose), 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	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	2	–
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	17,869	2,657
	17,871	2,657
Underprovision in prior years in respect of Hong Kong Profits Tax	313	–
	18,184	2,657

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current period. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 as the Group had no assessable profit.

The 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 accumulated undistributed profits of the PRC subsidiaries amounting to approximately HK\$184,429,000 (31 December 2010: HK\$111,942,000) 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	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Directors emoluments	4,591	3,935
Other staff costs	70,556	59,045
Equity-settled share-based payment expenses other than directors	4,086	1,411
Total staff costs	79,233	64,391
Amortisation of intangible assets (included in cost of sales)	3,624	-
Release of prepaid lease payments	308	308
Depreciation of property, plant and equipment	27,310	25,822
Fair value changes of derivative financial instruments (included in other gains and losses)	293	1,353
Reversal of impairment income loss recognised on trade receivables (included in other gains and losses)	-	(2,045)
Imputed interest income on non-current trade receivables	(2,279)	-
Interest income on bank deposits and bank balances	(1,082)	(584)
Sales of scrap materials	(17,101)	(16,365)

6. DIVIDENDS

During the period, a dividend of HK2.5 cents per share amounting to HK\$10,944,000 (six months ended 30 June 2010: 2009 final dividend of HK1 cent per share amounting to HK\$3,060,000) was paid to the shareholders as the final dividend for 2010.

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	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	41,116	12,087
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	425,789	283,377
Effect of dilutive potential ordinary shares:		
Share options	6,719	5,145
Warrants	4,625	1,911
Weighted average number of ordinary shares for the purpose of diluted earnings per share	437,133	290,433

Weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for 1,726,000 ordinary shares repurchased but not yet cancelled by the Group during the current period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

At 30 June 2011, the directors considered that the carrying amount of the Group's buildings does 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 2011, the Group spent HK\$11,369,000 (six months ended 30 June 2010: HK\$15,315,000) on acquisition of property, plant and equipment, of which HK\$2,484,000 (six months ended 30 June 2010: HK\$10,194,000) was acquired under finance leases.

9. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade receivable – non-current

At 30 June, 2011, the balances represent the carrying amounts of trade receivables of HK\$273,530,000 (31 December 2010: HK\$76,521,000) resulted from the sales of LED lighting products to its trade customers ("LED Receivables") which will be settled by instalments ranging from one to four years pursuant to the supply contracts. The fair values of the considerations recognised, determined using discounted cash flows at an imputed rate of interest of 3.5% on initial recognition.

The following is the analysis of the LED Receivables for financial reporting purposes:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Current (included in (b) below)	152,072	5,681
Non-current	121,458	70,840
	273,530	76,521

(b) Trade and other receivables-current

The Group generally allows an average credit period of 30 days to 150 days to its trade customers, except for trade customers of LED Receivables mentioned in note 9(a) which is based on the contractual repayment schedule. 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 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0 – 30 days	132,151	123,762
31 – 60 days	126,895	81,920
61 – 90 days	73,664	54,138
91 – 180 days	107,512	45,048
Over 180 days	25,766	2,507
	465,988	307,375
Other receivables and prepayments	68,938	65,061
	534,926	372,436



9. TRADE, BILLS AND OTHER RECEIVABLES (continued)

(c) Bills receivable

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

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0 – 30 days	1,786	8,063
91 – 180 days	2,422	–
	4,208	8,063

10. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2011, the Group has outstanding forward contracts, interest rate swaps, currency structured forward contracts and a commodity linked interest rate swap 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 rates and discounted using an approximate discount rate to take account of the time value of money. The fair values of interest rate swaps, currency structured forward contracts and a commodity linked interest rate swap contract are determined by using the Monte Carlos Simulation Model.

11. RESTRICTED BANK DEPOSITS

As at 30 June 2011, the restricted bank deposits comprise deposits for the issue of bills payable of HK\$27,712,000 (31 December 2010: HK\$30,429,000) and pledged deposits of HK\$280,892,000 (31 December 2010: HK\$221,301,000) for short-term bank borrowings. The restricted bank deposits are classified as current asset because the bills payable and bank borrowings being secured are due within twelve months from the end of the reporting period.

12. 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 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0-30 days	105,603	41,774
31-60 days	31,592	35,968
61-90 days	37,386	32,126
91-180 days	48,339	69,333
Over 180 days	16,151	13,824
	239,071	193,025
Other payables and accruals	53,734	37,163
	292,805	230,188

(b) Bills payable

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

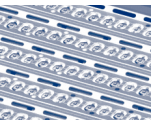
	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
0-30 days	16,569	9,422
31-60 days	8,318	31,498
61-90 days	22,044	12,665
91-180 days	72,066	64,827
	118,997	118,412

13. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK\$301,367,000 (six months ended 30 June 2010: HK\$256,068,000). The new loans bear variable interest at rate of Hong Kong Inter-bank Offered Rate plus 1.75% or 2.1% per annum, the effective interest rate ranging from 2.00% to 2.45% (six months ended 30 June 2010: 0.9386% to 5.00%) per annum, and are payable within one year. The proceeds are used to finance the operations of the Group.

14. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2010	240,000,000	24,000
Issue of shares	48,000,000	4,800
Issued in consideration for the acquisition of intellectual properties	15,137,803	1,514
Exercise of share options	2,914,000	291
At 30 June 2010	306,051,083	30,605
Exercise of share options	11,074,000	1,108
Exercise of warrants	30,600,000	3,060
Conversion of convertible loan notes	20,000,000	2,000
At 31 December 2010	367,725,803	36,773
Issue of shares (note a)	60,000,000	6,000
Exercise of share options (note b)	5,550,000	555
Exercise of warrants (note c)	12,400,000	1,240
Shares repurchased and cancelled (note d)	(1,100,000)	(110)
At 30 June 2011	444,575,803	44,458



14. SHARE CAPITAL (continued)

Notes:

The movements in the ordinary share capital for the six months ended 30 June 2011 were as follows:

- (a) On 25 January 2011, 60,000,000 ordinary shares of the Company were placed at a price of HK\$3.79 per placing share through a top-up placing and subscription arrangement.
- (b) The Company issued 1,780,000, 420,000 and 3,350,000 ordinary shares of HK\$0.1 each in the Company for cash at HK\$1.52, HK\$1.50 and HK\$1.07 per share, respectively, as a result of the exercise of share options.
- (c) The Company issued 5,000,000 and 7,400,000 ordinary shares of HK\$0.1 each in the Company for cash at HK\$1.45 and HK\$1.65 per share, respectively, as a result of the exercise of warrants. The 12,400,000 warrants outstanding at 31 December 2010 were fully exercised during the current period.
- (d) During the current period, 2,826,000 ordinary shares were repurchased on the Stock Exchange for a consideration of HK\$9,641,000. Out of 2,826,000 ordinary shares repurchased, 1,100,000 ordinary shares were cancelled on delivery of the share certificates during the current interim period while the remaining of 1,726,000 ordinary shares have not yet been cancelled up to date of this report. The nominal value of HK\$110,000 of all the shares cancelled during the current period was transferred from accumulated profits to capital redemption reserve. The premium paid on the repurchase of these shares cancelled in the amount of 3,966,000 was charged to share premium. The aggregate consideration paid for these shares repurchased and cancelled in the amount of HK\$4,076,000 was deducted from shareholders' equity.

The 1,726,000 ordinary shares repurchased but not yet cancelled at the end of the reporting date are treated as treasury shares and the aggregate consideration paid for these shares in the amount of HK\$5,565,000 was deducted from shareholder's equity.

All the ordinary shares issued during the current period ranked *pari passu* in all respects with the then existing shares.

15. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted on 5 June 2006 for the purpose of providing incentives to directors, employees, consultants and advisers of the Company or the Group and to promote the success of the business of the Group.

The table below discloses movement of the Company's share options for the six months ended 30 June 2011:

	Number of share options '000
Outstanding as at 1 January 2011	23,622
Granted during the period	3,000
Exercised during the period	(5,550)
Lapsed during the period	(500)
Outstanding as at 30 June 2011	20,572



15. SHARE OPTION SCHEME *(continued)*

The closing price of the Company's shares immediately before 26 April 2011, the date of grant of the options, was HK\$3.15.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.69.

In the current period, 3,000,000 share options were granted to an employee on 26 April 2011. Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after that date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 10th year after the date of grant. The fair value of the share options determined at the date of grant using the Binomial Model was HK\$4,472,000.

The following assumptions were used in the Binominal Model to calculate the fair value of share options:

	26 April 2011
Exercise price	HK\$3.13
Share price on date of grant	HK\$3.09
Expected life	10 years
Expected volatility	46.14%
Risk-free interest rate	2.65%
Expected dividend yield	0.81%
Sub-optimal factors	2.47

The model is one of the commonly used models to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share option.

Expected volatility was determined by using the annualised historical volatility of the Company's share price over the previous twelve months. The expected life used in the model is based on the directors' best estimate.

16. CAPITAL COMMITMENTS

At 30 June 2011, the Group had commitments of approximately HK\$29,468,000 (31 December 2010: HK\$32,820,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.

17. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Buildings	133,522	145,735
Plant and machinery	19,651	24,503
Restricted bank deposits	308,604	251,730
Prepaid lease payments	22,227	22,535
	484,004	444,503

18. RELATED PARTY TRANSACTIONS

- (a) Compensation of key management personnel

The remuneration of key management for the Group (representing directors) during the period under review are set out as follows:

	Six months ended 30 June 2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Short-term benefits	3,865	3,280
Post-employment benefits	12	12
Share-based payments	714	643
	4,591	3,935

- (b) During the six months ended 30 June 2011, the Group purchased raw materials of HK\$60,282,000 (six months ended 30 June 2010: nil) from Orient-Semiconductors Corporation ("Dongfang") a non-controlling shareholder of a PRC subsidiary of the Company and controlled by a director of the Company.

19. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2011, a LED-related intellectual property of HK\$3,452,000 was injected by Dongfang into a PRC subsidiary of the Company as investment cost.



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

	Fox the six months ended 30 June 2011		For the six months ended 30 June 2010		Increase/ (Decrease)	Change in
	HK\$'000	%	HK\$'000	%	HK\$'000	%
LED Lighting	178,331	28.1	–	–	178,331	N/A
Single-sided	109,615	17.3	108,795	26.0	820	0.8
Double-sided	192,491	30.4	144,788	34.6	47,703	32.9
Multi-layered	153,725	24.2	165,222	39.4	(11,497)	(7.0)
	634,162		418,805		215,357	51.4

During the period, LED lighting turnover accounted for approximately 28.1% of the total turnover of the Group mainly because the Group completed new LED lighting contracts in Jiangsu, Sichuan and Henan provinces.

For PCB business, 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 37.0% of the Group's turnover. By products, the Group has achieved the highest growth from double-sided PCBs, accounted for approximately 32.9% while it was level in single-sided PCBs and with a slight decrease of approximately 7% in multi-layered PCBs. The multi-layered PCBs, during the review period, could not be the drive engine was mainly due to decrease in global demand during the period that was partially due to the interruption of supply chain after the March Japan earthquake.

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

	Fox the six months ended 30 June 2011		For the six months ended 30 June 2010		Increase/ (Decrease)	Change in
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	147,349	23.2	108,338	25.9	39,011	36.0
PRC	317,107	50.0	111,517	26.7	205,590	184.4
Europe	26,538	4.2	38,593	9.2	(12,055)	(31.2)
Asia	137,112	21.6	144,321	34.5	(7,209)	(5.0)
Others	6,056	1.0	16,036	3.7	(9,980)	(62.2)
	634,162		418,805		215,357	51.4

Financial Review

For the six months ended 30 June 2011, the Group's turnover amounted to approximately HK\$634.2 million, representing an increase of 51.4 % as compared to approximately HK\$418.8 million for the corresponding period last year.

The Groups' gross profit has increased by 118.7 % to approximately HK\$119.0 million. Gross profit margin increased to approximately 18.8 %, mainly due to business growth of LED lighting with high gross margin. The gross margins for the LED lighting and PCBs were 38.1% and 11.2%, respectively. Profit for period was approximately HK\$51.4 million, (2010: HK\$12.1 million), representing an increase of 325 %.

Liquidity and Capital Resources

As at 30 June 2011, the Group had total assets of approximately HK\$1,882.2 million (31 December 2010: HK\$1,494.0 million) and interest-bearing borrowings of approximately HK\$484.9 million (31 December 2010: HK\$460.5 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 25.8% (31 December 2010: 30.8 %).

The Group's net current asset of approximately HK\$319.2 million (31 December 2010: HK \$ 68.5 million) consisted of current assets of approximately HK\$1,257.8 million (31 December 2010: HK\$905.9 million) and current liabilities of approximately HK\$938.6 million (31 December 2010: HK\$837.4 million), representing a current ratio of approximately 1.34 (31 December 2010: 1.08).

As at 30 June 2011, the Group had cash and bank balances of approximately HK\$570.2 million (31 December 2010: HK\$400.0 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 and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in United States Dollars and RMB. 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 2011 (30 June 2010: Nil).

Human Resources

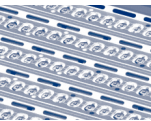
As at 30 June 2011, the Group employed a total of approximately 3,091 employees (31 December 2010: 3,704), including approximately 2,960 employees in its Zhongshan production site, 111 employees in its PRC LED lighting business units and approximately 20 employees in its Hong Kong office.

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

Riding on the success of the LED lighting business, the Group will continue to keep the momentum of LED lighting business which will be the growth engine for the Group. At the same time, the Group will also maintain the operations in PCB business as its steady business.

Given the support by the government, such as the estimated financial subsidy of 8-30%, which will be provided by the National Development and Reform and Commission (NDRC), the LED industry has been rapidly developing and more and more LED lighting players are tapping in this enormous market. It is expected that there will be more governmental policies and standard to be launched in order to hasten the development of the LED lighting industry.



The Group has been striving for capturing this market opportunities by securing more LED road lamps contracts. We will further develop more projects in the tier one and two cities, which have been already proven in our track record, such as the roadlamps project agreement with Chongqing Hechuan People’s Government. With our strong foundation in sales network and capital resources, we are able to maximize any opportunities of securing contracts of larger size in tier one and two cities in the PRC.

In respect of our PCB business, the Group expects that it will continue to provide a stable cashflow to the Group, and to be the Group’s steady source of income by leveraging on our strong customer base and well-established operation.

Going forward, the Group will focus on the investment of the high potential growth of LED lighting business as its major business strategy. Simultaneously, the Group will maintain its PCB business operation. As one of the leaders in the LED lighting industry in the PRC, the Group will strive to expand its market share and continue to seize more profitable contracts with a view to delivering higher return to our shareholders.

OTHER INFORMATION

Directors’ Interests in Shares

At 31 December 2010, the interests of the directors and their associates in the shares and underlying shares of the Company and 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 Issuers, were as follows:

Interest in securities:

Name of director	Capacity	Number of issued ordinary shares held	Shareholding percentage
Mr. Yeung Hoi Shan	Beneficial owner	157,600,000	35.45%



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
Mr. Yeung Hoi Shan	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	2,400,000	(Note 2)
		14 July 2010	1.50	–	(Note 3)
Mr. Pak Shek Kuen	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	800,000	(Note 2)
		14 July 2010	1.50	–	(Note 3)
		29 September 2010	2.62	1,000,000	(Note 3)
Mr. Cheung Kwok Ping	Beneficial owner	29 September 2009	1.07	–	(Note 2)
		14 July 2010	1.50	–	(Note 3)
Mr. Wong Siu Fai, Albert	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	140,000	(Note 2)
		14 July 2010	1.50	200,000	(Note 3)
Mr. Cheung Sui Wing, Darius	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	80,000	(Note 2)
		14 July 2010	1.50	140,000	(Note 3)
Ms. Ho Man Kay	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	80,000	(Note 2)
		14 July 2010	1.50	140,000	(Note 3)
Mr. Yeung Tai Hoi	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	80,000	(Note 2)
		14 July 2010	1.50	–	(Note 3)
Madam Li Jinxia	Beneficial owner	3 July 2007	1.52	–	(Note 1)
		29 September 2009	1.07	700,000	(Note 2)
		14 July 2010	1.50	–	(Note 3)
Mr. Zhu Jianqin	Beneficial owner	29 September 2009	1.07	600,000	(Note 2)
				<hr/>	
				6,360,000	

Note 1: 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 in the 5th year after the date of grant.

Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired the 10th year after the date of grant.

Other than 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 30 June 2011.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2011, 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 shareholder	Capacity	Number of issued ordinary shares held	Percentage of issue share capital
Ms. Zhao Man Qi (Note)	Interest of spouse	157,600,000	35.45%

Interest in underlying shares pursuant to share options:

Name	Capacity	Date of grant	Number of share options granted	Exercise price HK\$
Ms. Zhao Man Qi (Note)	Interest of spouse	29 September 2009	2,400,000	1.07

Note: Ms. Zhao Man Qi, being the spouse of Mr. Yeung Hoi Shan, is deemed to be interested in these shares under the SFO.

Other than 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 at 30 June 2011.



SHARE OPTION SCHEME

On 5 June 2006, a share option scheme (the “Share Option Scheme”) was adopted. 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 Company or the Group and to promote the success of the business of the Group. The directors of the Company may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Company or 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). On 27 May 2011, a resolution was passed on the Annual General Meeting for the approval of refreshing the 10% mandate under the Share Option Scheme (the “Refreshed Scheme Mandate”) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed hereby shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at 27 May 2011 (options previously granted under the Share Option Scheme shall not be counted for the purpose of calculating the Refreshed Scheme Mandate).

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 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 and 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 the grant of options 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 shares.

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

Grantee	Date of grant	Exercise price per share HK\$	Outstanding	Granted during the year	Exercised during the year	Reclassification	Forfeited during the year	Outstanding	Exercisable period
			at 1 January 2011					at 30 June 2011	
Mr. Yeung Hoi Shan	3 July 2007	1.52	-	-	-	-	-	-	(Note 1)
	29 September 2009	1.07	2,400,000	-	-	-	-	2,400,000	(Note 2)
	14 July 2010	1.50	-	-	-	-	-	-	(Note 3)
Mr. Pak Shek Kuen	3 July 2007	1.52	480,000	-	(480,000)	-	-	-	(Note 1)
	29 September 2009	1.07	1,700,000	-	(900,000)	-	-	800,000	(Note 2)
	14 July 2010	1.50	-	-	-	-	-	-	(Note 3)
	29 September 2010	2.62	1,000,000	-	-	-	-	1,000,000	(Note 3)
Mr. Cheung Kwok Ping	29 September 2009	1.07	140,000	-	-	-	(140,000)	-	(Note 2)
	14 July 2010	1.50	200,000	-	-	-	(200,000)	-	(Note 3)
Mr. Wong Siu Fai, Albert	3 July 2007	1.52	200,000	-	(200,000)	-	-	-	(Note 1)
	29 September 2009	1.07	140,000	-	-	-	-	140,000	(Note 2)
	14 July 2010	1.50	200,000	-	-	-	-	200,000	(Note 3)
Mr. Cheung Sui Wing, Darius	3 July 2007	1.52	-	-	-	-	-	-	(Note 1)
	29 September 2009	1.07	140,000	-	(60,000)	-	-	80,000	(Note 2)
	14 July 2010	1.50	200,000	-	(60,000)	-	-	140,000	(Note 3)
Ms. Ho Man Kay	3 July 2007	1.52	200,000	-	(200,000)	-	-	-	(Note 1)
	29 September 2009	1.07	140,000	-	(60,000)	-	-	80,000	(Note 2)
	14 July 2010	1.50	200,000	-	(60,000)	-	-	140,000	(Note 3)
Mr. Yeung Tai Hoi	3 July 2007	1.52	-	-	-	-	-	-	(Note 1)
	29 September 2009	1.07	80,000	-	-	-	-	80,000	(Note 2)
	14 July 2010	1.50	-	-	-	-	-	-	(Note 3)
Madam Li Jinxia	3 July 2007	1.52	-	-	-	-	-	-	(Note 1)
	29 September 2009	1.07	700,000	-	-	-	-	700,000	(Note 2)
	14 July 2010	1.50	-	-	-	-	-	-	(Note 3)
Mr. Zhu Jianqin	29 September 2009	1.07	1,500,000	-	(900,000)	-	-	600,000	(Note 2)
			<u>9,620,000</u>	<u>-</u>	<u>(3,920,000)</u>	<u>-</u>	<u>(340,000)</u>	<u>6,360,000</u>	

Note 1: 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 in the 5th year after the date of grant.



Note 2: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired in the 5th year after the date of grant.

Note 3: Options are exercisable subject to (i) up to 30% of the options are exercisable on or after the date of grant; (ii) up to 60% of the options are exercisable a year on or after the date of grant; and (iii) all the remaining options are exercisable two years on or after the date of grant. The options will be expired the 10th year after the date of grant.

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

During the six months ended 30 June 2011, the Company purchased 2,826,000 shares of the Company's listed securities, of which 1,100,000 shares have been cancelled as at 30 June 2011.

Neither the Company, nor any of its subsidiaries sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

Compliance with the Code of Corporate Governance Practices

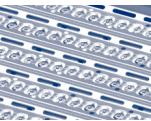
The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2011.

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 2011.

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 2011 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 and executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.



Corporate Information

Executive Directors

Mr Yeung Hoi Shan (*Chairman*)
Mr Pak Shek Kuen
Mr. Zhu Jianqin

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

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Cayman Islands

Auditors

Deloitte Touche Tohmatsu

Media and Investor Relations

NCC Financial PR Limited

Principal bankers

China Construction Bank Corporation,
Zhongshan Branch
Luso International Banking Limited
Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) 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

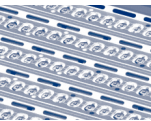
Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

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, 29 August 2011