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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008.

The unaudited condensed consolidated financial information for the six months ended 30 June 2008 have been reviewed by the Group's auditors, Deloitte Touche Tohmatsu, 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		For the six months ended 30 June	
		2008	2007
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**397,536**	340,024
Cost of sales		**(334,483)**	(269,971)
Gross profit		**63,053**	70,053
Other income		**10,703**	9,887
Selling and distribution expenses		**(16,596)**	(16,099)
Administrative expenses		**(31,881)**	(23,958)
Finance costs		**(9,160)**	(7,446)
Profit before tax		**16,119**	32,437
Income tax expense	*4*	**(2,585)**	(6,143)
Profit for the period	*5*	**13,534**	26,294
Dividends paid	*6*	**12,000**	8,000
Earnings per share	*7*		
– Basic (HK cents)		**5.64**	10.96
– Diluted (HK cents)		**5.57**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2008

	NOTES	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
Non-current assets			
Investment properties		**3,500**	3,500
Property, plant and equipment		**467,016**	454,898
Prepaid lease payments – non-current portion		**30,432**	30,822
Deposit paid for acquisition of property, plant and equipment		**4,182**	6,984
		505,130	496,204
Current assets			
Inventories		**124,117**	88,933
Prepaid lease payments – current portion		**781**	781
Trade and other receivables	*8*	**281,959**	244,873
Bills receivable	*8*	**9,595**	6,017
Amount due from a related company		**–**	13,680
Investment designated as fair value through profit or loss		**9,349**	–
Bank balances and cash		**41,063**	70,663
		466,864	424,947
Current liabilities			
Trade and other payables	*9*	**235,774**	198,610
Bills payable	*9*	**13,935**	24,333
Derivative financial instrument		**1,011**	–
Taxation payable		**16,362**	18,716
Bank and other borrowings – due within one year		**274,970**	143,899
Obligations under finance leases – due within one year		**45,341**	39,008
		587,393	424,566
Net current (liabilities) assets		**(120,529)**	381
Total assets less current liabilities		**384,601**	496,585
Non-current liabilities			
Bank and other borrowings – due after one year		**–**	119,161
Obligations under finance leases – due after one year		**62,719**	59,663
Deferred tax liabilities		**9,161**	9,281
		71,880	188,105
Net assets		**312,721**	308,480
Capital and reserves			
Share capital		**24,000**	24,000
Reserves		**288,721**	284,480
Total equity		**312,721**	308,480

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2008

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of HK$120,529,000 as at 30 June 2008. Subsequent to the balance sheet date, the Group negotiated with an independent third party for a proposed disposal of a leasehold land for the net proceeds of approximately HK$28.5 million and a memorandum of understanding had been entered by the Group. The directors considered this additional funding will provide sufficient cash to finance the Group's working capital requirement. In addition, the Group obtained a waiver from the lenders for not demanding immediate payment of bank loans in connection with the breach of loan covenants. Accordingly, the financial statements are prepared on a going concern basis.

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 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008. The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into the following three business divisions:

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

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

Segment information about these businesses is presented below:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover – external sales		
Single-sided	**94,057**	72,091
Double-sided	**150,071**	197,905
Multi-layered	**153,408**	70,028
Total	**397,536**	340,024
Segment results		
Single-sided	**4,385**	441
Double-sided	**22,108**	27,506
Multi-layered	**4,726**	8,063
	31,219	36,010
Unallocated income	**1,413**	9,887
Unallocated expenses	**(7,353)**	(6,014)
Finance costs	**(9,160)**	(7,446)
Profit before tax	**16,119**	32,437
Income tax expense	**(2,585)**	(6,143)
Profit for the period	**13,534**	26,294

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Hong Kong Profits Tax		
Current period	**–**	1,153
Underprovision	**–**	565
	–	1,718
Enterprise Income Tax in other regions of the People's Republic of China (the "PRC")	**2,645**	4,425
Deferred tax	**(60)**	–
	2,585	6,143

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

PRC Enterprise Income Tax is calculated at the applicable rates relevant to the PRC subsidiaries.

Deferred taxation has not been provided for the condensed consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries, 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	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors emoluments	**4,527**	2,747
Other staff costs	**43,454**	28,012
Equity-settled share-based payment expenses other than Directors	**986**	–
Total staff costs	**48,967**	30,759
Depreciation and amortisation	**24,135**	13,777
Changes in fair value of derivative financial instruments	**1,011**	–
Impairment loss recognised on trade receivables	**2,353**	1,300
Interest income	**(132)**	(218)

6. DIVIDENDS

During the period, a dividend of HK5 cents (2007: HK3.33 cents per share) per share was paid to the shareholders as the final dividend for 2007.

The Board did not recommend the payment of an interim dividend for the current period. In last period, the Board had resolved to recommend the payment of an interim dividend of HK2.5 cents per share, amounting to approximately HK$6,000,000.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the shareholders of the Company is based on the profit for the period attributable to the shareholders of the Company of approximately HK$13,534,000 (2007: HK$26,294,000) and on 240,000,000 ordinary shares (2007: 240,000,000 ordinary shares) in issue during the period.

In the current period, the calculation of the diluted earnings per share attributable to the shareholders of the Company is based on the profit for the period attributable to the shareholders of the Company of approximately HK$13,534,000 and the weighted average number of approximately 242,849,000 ordinary shares. There were no dilutive potential ordinary shares during the last period and therefore, diluted earnings per share was not presented in the last period.

8. 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 at the balance sheet date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**85,300**	58,854
31 – 60 days	**73,650**	62,141
61 – 90 days	**50,937**	51,410
91 – 180 days	**40,747**	58,487
Over 180 days	**3,684**	1,068
	254,318	231,960

(b) Bills receivable

The aged analysis of bills receivable is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**–**	59
31 – 60 days	**–**	3,258
61 – 90 days	**4,009**	2,207
91 – 180 days	**5,586**	493
	9,595	6,017

9. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**39,490**	29,720
31 – 60 days	**49,641**	29,320
61 – 90 days	**47,099**	46,774
91 – 180 days	**55,467**	46,754
Over 180 days	**6,296**	3,411
	197,993	155,979

(b) Bills payable

The aged analysis of bills payable is as follows:

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000* (audited)
0 – 30 days	**6,727**	1,604
31 – 60 days	**3,982**	4,566
61 – 90 days	**2,806**	6,685
91 – 180 days	**420**	11,478
	13,935	24,333

BUSINESS REVIEW

In the first quarter of 2008, the Group has been affected by the demand drop in the volatile global market environment that led to the under-utilization of the production capacities, regardless of this, the Group was able to pick up the business momentum in the second quarter of 2008.

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:

	For the six months ended 30 June 2008		For the six months ended 30 June 2007		Increase/ (Decrease)	Change in
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Single-sided	**94,057**	**23.6**	72,091	21.2	21,966	30.5
Double-sided	**150,071**	**37.9**	197,905	58.2	(47,834)	(24.2)
Multi-layered	**153,408**	**38.5**	70,028	20.6	83,380	119.1
	397,536		340,024		57,512	16.9

The products in the three categories are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the review period, application wise, consumer electronics remained to contribute the highest turnover that accounted for approximately 50.0% of the Group's turnover.

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

	For the six months ended 30 June 2008		For the six months ended 30 June 2007		Increase/ (Decrease)	Change in
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**106,115**	**26.7**	78,030	22.9	28,085	36.0
PRC	**49,949**	**12.6**	63,585	18.7	(13,636)	(21.5)
Europe	**57,026**	**14.3**	59,858	17.6	(2,832)	(4.7)
Asia	**171,671**	**43.2**	125,678	37.0	45,993	36.6
Others	**12,775**	**3.2**	12,873	3.8	(98)	(0.8)
	397,536		340,024		57,512	16.9

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group's turnover amounted to approximately HK$397.5 million, representing an increase of 16.9% as compared to approximately HK$340.0 million for the corresponding period last year.

The Groups' gross profit has decreased by 10.0% to approximately HK$63.1 million. Gross profit margin dropped to approximately 15.9%. 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$13.5 million, (2007: HK$26.3 million), representing a decrease of 48.5%.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2008, the Group had total assets of approximately HK$972.0 million (31 December 2007: HK$921.2 million) and interest-bearing borrowings of approximately HK$383.0 million (31 December 2007: HK$361.7 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 39.4% (31 December 2007: 39.3%).

The Group's net current liabilities of approximately HK$120.5 million (31 December 2007: net current assets of HK$ 0.4 million) consisted of current assets of approximately HK$466.9 million (31 December 2007: HK$424.9 million) and current liabilities of approximately HK$587.4 million (31 December 2007: HK$424.6 million), representing a current ratio of approximately 0.8 (31 December 2007: 1.0).

As at 30 June 2008, in respect of bank loans with carrying amounts of approximately HK$175.0 million as at that date, the Group breached certain financial covenants as stipulated in the banking facilities letters entered into by the Group, which are primarily related to the working capital ratio and gearing ratio. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loan with the relevant bankers. At the balance sheet date, as the lenders have not yet agreed to waive their right to demand immediate payment, the non-current portion of these loans amounting to approximately HK$69,580,000 has been classified as a current liability in the condensed consolidated financial statements for the six months ended 30 June 2008. On 22 September 2008, the Group completed the negotiations and the lenders have agreed in writing not to demand from the Group immediate payment and repayment terms of these loans are the same as if no breach of financial covenants. The waiver is subject to the dividend payout ratio not in excess of 30% of the net profit after tax.

As at 30 June 2008, the Group had cash and bank balances of approximately HK$41.1 million (31 December 2007: HK$70.7 million).

DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (30 June 2007: HK2.5 cents).

HUMAN RESOURCES

As at 30 June 2008, the Group employed a total of approximately 3,198 employees (31 December 2007: 3,150), including approximately 3,163 employees in its Zhongshan production site and approximately 35 employees in its Hong Kong office.

Remuneration policy of the Group is reviewed regularly, referring to legal framework, market condition and 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.

PROSPECTS

Due to tough business environment, the Group has consolidated its business focus and the capital expenditure to developing the second phase of Plant 2 will be on hold until further analysis of market situation by end of this year. In view of the existing customer relationships and the prospect of upcoming projects, the management maintained an optimistic view on its business prospects in the second half of 2008. The Group is confident to achieve bigger market share and improve its profitability through optimization of production facilities, consistent cost control measures and comprehensive sales and marketing networks.

OTHER INFORMATION

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 2008.

Compliance with the Code of Corporate Governance Practices

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") during the six months ended 30 June 2008.

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 2008.

AUDIT COMMITTEE

The Company has established 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 namely Mr. Cheung Sui Wing, Darius as chairman, Ms. Ho Man Kay Angela and Mr. Wong Siu Fai, Albert. The interim results for the six months ended 30 June 2008 had been reviewed by the Audit Committee and the Group's auditors, Deloitte Touche Tohmatsu.

On behalf of the Board
Yeung Hoi Shan
Chairman

Hong Kong, 26 September 2008

As at the date of this announcement, the Company has three executive Directors, being Mr. Yeung Hoi Shan, Mr. Wong Wing Choi and Mr. Pak Shek Kuen, three non-executive Directors, being Madam Li Jin Xia, Mr. Yeung Tai Hoi and Mr. Cheung Kwok Ping and three independent non-executive Directors, being Mr. Cheung Sui Wing Darius, Ms. Ho Man Kay Angela and Mr. Wong Siu Fai Albert.

* *For identification purposes only*