TC INTERCONNECT HOLDINGS LIMITED

達進精電控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

web site: www.tatchun.com

(Stock Code: 515)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 2009.

The unaudited condensed consolidated financial information for the six months ended 30 June 2009 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 STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		For the six months ended 30 June	
		2009	2008
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*3*	**331,460**	397,536
Cost of sales		**(283,490)**	(334,483)
Gross profit		**47,970**	63,053
Other income		**8,960**	11,514
Other gains and losses		**(4,061)**	(8,139)
Selling and distribution expenses		**(14,642)**	(14,044)
Administrative expenses		**(21,124)**	(27,105)
Finance costs		**(5,999)**	(9,160)
Profit before tax		**11,104**	16,119
Income tax expense	*4*	**(1,347)**	(2,585)
Profit for the period	*5*	**9,757**	13,534
Earnings per share	*7*		
– Basic (HK cents)		**4.07**	5.64
– Diluted (HK cents)		**4.07**	5.57

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	NOTES	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Non-current assets			
Investment properties		**3,100**	3,100
Property, plant and equipment		**455,396**	460,456
Prepaid lease payments – non-current portion		**22,843**	23,150
Deposit paid for acquisition of property, plant and equipment		**2,330**	4,704
		483,669	491,410
Current assets			
Inventories		**111,794**	90,453
Prepaid lease payments – current portion		**615**	615
Trade and other receivables	8	**224,261**	247,289
Bills receivable	8	**5,550**	4,768
Tax recoverable		**2,940**	2,190
Investment designated as at fair value through profit or loss		**–**	9,349
Derivative financial instruments		**782**	1,301
Pledged bank deposits		**24,619**	–
Restricted bank deposits		**11,395**	18,373
Bank balances, deposits and cash		**30,906**	59,828
		412,862	434,166
Current liabilities			
Trade and other payables	9	**205,129**	230,261
Bills payable	9	**53,359**	39,995
Taxation payable		**13,575**	16,718
Bank and other borrowings – due within one year		**169,926**	177,962
Obligations under finance leases – due within one year		**43,864**	43,492
		485,853	508,428
Net current liabilities		**(72,991)**	(74,262)
Total assets less current liabilities		**410,678**	417,148

	30 June 2009 HK$'000 (unaudited)	31 December 2008 HK$'000 (audited)
Non-current liabilities		
Bank and other borrowings – due after one year	**6,224**	8,000
Obligations under finance leases		
– due after one year	**28,306**	41,316
Amount due to a shareholder	**20,531**	20,627
Deferred tax liabilities	**11,558**	11,488
	66,619	81,431
Net assets	**344,059**	335,717
Capital and reserves		
Share capital	**24,000**	24,000
Reserves	**320,059**	311,717
Total equity	**344,059**	335,717

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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").

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 the fact that its current liabilities exceeded its current assets by HK$72,991,000 as at 30 June 2009. As at 30 June 2009, certain loan covenants were breached by the Group, all these loans amounting to HK$11,275,000 were included in current liabilities. At the date of report, the lender agreed principally with the Group for not demanding immediate payment of bank loan in connection with the breach of loan covenants and pending for written confirmation from the lender and the Group has agreed with another lender to early settle the loan balance. As at 30 June 2009, the Group has unutilised banking facilities of approximately HK$115,672,000, the majority of which are subsequently renewed.

The directors are of the opinion that, taken into account of the internally generated funds of the Group and the present available banking facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this report. Accordingly, the condensed consolidated financial statements have been 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 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007) "*Presentation of Financial Statement*" has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, an introduction of condensed consolidated statement of comprehensive income and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 "*Operating Segments*" is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "*Segment Reporting*", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and 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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
Hong Kong (IFRIC) Interpretation ("HK(IFRIC) – Int") 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that, the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker being Chief Executive Officer of the Group in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard HKAS 14 "*Segment Reporting*" required an entity to identity two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit. The Group determines its operating segments based on the reports reviewed by the chief operating decision maker for making strategic decisions. The reports are prepared by products and by aggregating similar economic characteristics, three reporting segments were presented. Summarised details of each of the three reporting segments are as follows:

– 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")

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	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Turnover – external sales		
Single-sided	**86,673**	94,057
Double-sided	**96,527**	150,071
Multi-layered	**148,260**	153,408
Total	**331,460**	397,536
Segment profit		
Single-sided	**4,024**	4,385
Double-sided	**2,969**	22,108
Multi-layered	**11,363**	4,726
	18,356	31,219
Other income	**1,187**	1,413
Central administrative expense	**(3,566)**	(6,342)
Changes in fair value of investment designated at fair value through profit or loss	**(459)**	–
Changes in fair value of derivative financial instruments	**1,585**	(1,011)
Finance costs	**(5,999)**	(9,160)
Profit before tax	**11,104**	16,119
Income tax expense	**(1,347)**	(2,585)
Profit for the period	**9,757**	13,534

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 other income, central administrative expense (mainly including audit fee and depreciation for property, plant and equipment for administrative purpose) changes in fair value of investment designated through profit or loss, changes in fair value 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	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Enterprise Income Tax in other regions of the People's Republic of China (the "PRC")	**1,173**	2,645
Deferred tax	**174**	(60)
	1,347	2,585

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2008: 16.5%) of the estimated assessable profit for the six months ended 30 June 2009. No provision for Hong Kong Profits Tax has been made as there was no assessable profit for both periods.

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

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$79,549,000 (31 December 2008: HK$51,821,000) 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	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors emoluments	**2,284**	4,527
Other staff costs	**41,526**	43,454
Equity-settled share-based payment expenses other than directors	**194**	986
Total staff costs	**44,004**	48,967
Depreciation and amortisation	**25,501**	24,135
Impairment loss recognised on trade receivables	**986**	2,552
Change in fair value of investment designated at fair value through profit or loss	**459**	–
Changes in fair value of derivative financial instruments	**(1,585)**	1,011
Reversal of impairment loss recognised on trade receivables	**(856)**	(199)
Interest income	**(453)**	(132)

6. DIVIDENDS

During the period, a dividend of HK1 cent per share amounting to HK$2,400,000 (six months ended 30 June 2008: 2007 final dividend of HK5 cents per share amounting to HK$12,000,000) was paid to the shareholders as the final dividend for 2008.

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

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 owners of the Company of approximately HK$9,757,000 (six months ended 30 June 2008: HK$13,534,000) and on 240,000,000 (six months ended 30 June 2008: 240,000,000) ordinary shares in issue during the period.

For the period ended 30 June 2009, no dilutive earnings per share has been presented because the exercise price of share options granted by the Company is higher than the Company's market share price. For the six months ended 30 June 2008, the calculation of the diluted earnings per share attributable to the owners of the Company was based on the profit for the period attributable to the owners of the Company of approximately HK$13,534,000 and the weighted average number of approximately 242,849,000 ordinary shares which take into consideration of outstanding share options granted by the Company as at 30 June 2008.

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 reporting date, presented based on the invoice date:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**57,575**	63,142
31 – 60 days	**53,433**	64,683
61 – 90 days	**39,073**	47,629
91 – 180 days	**42,141**	42,148
Over 180 days	**1,678**	1,790
	193,900	219,392
Deposits, prepayments and other receivables	**30,361**	27,897
	224,261	247,289

(b) Bills receivable

The aged analysis of bills receivable is as follows:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**–**	122
31 – 60 days	**5,090**	2,382
61 – 90 days	**–**	1,952
91 – 180 days	**460**	312
	5,550	4,768

9. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables, presented based on the invoice date, is as follows:

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
0 – 30 days	**34,952**	22,453
31 – 60 days	**32,979**	20,705
61 – 90 days	**28,759**	48,553
91 – 180 days	**58,589**	101,450
Over 180 days	**14,063**	7,046
	169,342	200,207
Other payables and accruals	**35,787**	30,054
	205,129	230,261

(b) Bills payable

The aged analysis of bills payable is as follows:

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
0 – 30 days	**48,141**	32,125
31 – 60 days	**3,154**	3,695
61 – 90 days	**884**	2,872
91 – 180 days	**1,180**	1,303
	53,359	39,995

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 2009 *HK$'000*	*%*	For the six months ended 30 June 2008 *HK$'000*	*%*	Increase/ (Decrease) *HK$'000*	Change in *%*
Single-sided	**86,673**	**26.2**	94,057	23.6	(7,384)	(7.9)
Double-sided	**96,527**	**29.1**	150,071	37.9	(53,544)	(35.7)
Multi-layered	**148,260**	**44.7**	153,408	38.5	(5,148)	(3.4)
	331,460		397,536		(66,076)	(16.6)

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 52.0% of the Group's turnover. High end multi-layered PCBs remained the core product of the Group, accounting for 44.7% of turnover. During the period, the Group has successfully expanded business in the automotive and multimedia markets.

After securing TS16949 certification two years ago and capitalizing on the quantum growth of the market, the Group has gradually developed long term business with some major global players in the automotive electronics industry, including Clarion, Flextronics Automotive, Lite-On Group and TRW. Concurrently, the Group has also established foothold in supplying to some key worldwide OEM customers in the multimedia products like, Arcelik, MSI, Panasonic, Philips and Sony.

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

	Fox the six months ended 30 June 2009		Fox the six months ended 30 June 2008		Increase/ (Decrease)	Change in
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**67,151**	**20.3**	106,115	26.7	(38,964)	(36.7)
PRC	**51,420**	**15.5**	49,949	12.6	1,471	2.9
Europe	**92,316**	**27.9**	57,026	14.3	35,290	61.9
Asia	**113,235**	**34.2**	171,671	43.2	(58,436)	(34.0)
Others	**7,338**	**2.2**	12,775	3.2	(5,437)	(42.6)
	331,460		397,536		(66,076)	(16.6)

During the period, the Group successfully expanded its foothold in European market, taking up 27.9% of turnover for the period that showed an increase of 61.9% compared with the same period of last year. As stated our commitment of increasing market share in the PRC, the Group gradually increased its turnover in the PRC, recording 15.5% of turnover, up 2.9% compared that of last year.

FINANCIAL REVIEW

For the six months ended 30 June 2009, the Group's turnover amounted to approximately HK$331.5 million, representing a decrease of 16.6% as compared to approximately HK$397.5 million for the corresponding period last year.

The Groups' gross profit has decreased by 23.9% to approximately HK$48.0 million. Gross profit margin dropped to approximately 14.5%. 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$9.8 million, (2008: HK$13.5 million), representing a decrease of 27.9%.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2009, the Group had total assets of approximately HK$896.5 million (31 December 2008: HK$925.6 million) and interest-bearing borrowings of approximately HK$248.3 million (31 December 2008: HK$270.8 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 27.7% (31 December 2008: 29.3%).

The Group's net current liabilities of approximately HK$73.0 million (31 December 2008: HK$74.3 million) consisted of current assets of approximately HK$413.0 million (31 December 2008: HK$434.2 million) and current liabilities of approximately HK$485.9 million (31 December 2008: HK$508.4 million), representing a current ratio of approximately 0.85 (31 December 2008: 0.85).

As at 30 June 2009, the Group had cash and bank balances of approximately HK$66.9 million (31 December 2008: HK$78.2 million).

DIVIDENDS

The Board does not recommend the payment of the interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

HUMAN RESOURCES

As at 30 June 2009, the Group employed a total of approximately 3,362 employees (31 December 2008: 2,676), including approximately 3,332 employees in its Zhongshan production site and approximately 30 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 relationship and the prospects of upcoming projects, the management maintained an optimistic view on its business prospects in the second half of 2009. 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.

On the other hand, the Board takes an open view to explore high growth and potential projects in order to broaden the income stream and increase shareholders' value.

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.

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").

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 2009.

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 2009.

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 2009.

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 2009 had been reviewed by the Audit Committee.

By Order of the Board of
TC Interconnect Holdings Limited
YEUNG HOI SHAN
Chairman

Hong Kong, 22 September 2009

As at the date hereof, the executive Directors are Mr. YEUNG Hoi Shan and Mr. PAK Shek Kuen, the non-executive Directors are Madam LI Jinxia, Mr. YEUNG Tai Hoi and Mr. CHEUNG Kwok Ping and the independent non-executive Directors are Mr. CHEUNG Sui Wing, Darius, Ms. HO Man Kay and Mr. WONG Siu Fai, Albert.

* *For identification purposes only*