



**TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED**  
**至卓國際（控股）有限公司\***

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 2323)**

**INTERIM RESULT 2004**

The board of directors (the “Directors”) of Topsearch International (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2004 (the “Period”) together with comparative figures. The Interim Financial Statements have been reviewed by the Company’s audit committee.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

		<b>Six months ended 30 June</b>	
		<b>2004</b>	<b>2003</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$’000</b>	<b>HK\$’000</b>
TURNOVER	2	<b>607,156</b>	547,863
Cost of sales		<b>(482,751)</b>	(457,165)
<b>GROSS PROFIT</b>		<b>124,405</b>	90,698
Other revenue and gains		<b>3,804</b>	3,358
Selling and distribution costs		<b>(44,505)</b>	(33,915)
Administrative expenses		<b>(44,490)</b>	(45,455)
Other operating expenses		<b>(1,099)</b>	(487)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	3	<b>38,115</b>	14,199
Finance costs	4	<b>(5,145)</b>	(4,843)
<b>PROFIT BEFORE TAX</b>		<b>32,970</b>	9,356
Tax	5	<b>5,829</b>	(3,300)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>38,799</b>	6,056
<b>EARNINGS PER SHARE</b>			
— BASIC	6	<b>HK\$0.06</b>	HK\$0.01

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

30 JUNE 2004

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The Interim Financial Statements of the Group have been prepared in accordance with SSAP 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the requirements of the Main Board Listing Rules (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Interim Financial Statements have been prepared on a basis consistent with the principal accounting policies adopted in the 2003 annual report.

### 2. TURNOVER

Turnover represents the net invoiced value of goods sold net of discounts and returns. The Group’s principal activity during the Period was the manufacture and sale of printed circuit boards (“PCBs”), the only major business segment of the Group, with production facilities in Guangdong Province, the People’s Republic of China (the “PRC”). Accordingly, no further analysis of the Group’s turnover by business segment is provided.

The turnover of the Group by geographical area is analysed as follows:

	<b>For the six months ended</b>	
	<b>30 June 2004</b>	30 June 2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$’000</b>	HK\$’000
Asia, excluding the PRC, Hong Kong and Taiwan	<b>254,182</b>	230,861
The PRC and Hong Kong	<b>111,063</b>	93,218
Taiwan	<b>89,566</b>	108,605
North America	<b>99,337</b>	78,114
Europe	<b>53,008</b>	37,065
	<b>607,156</b>	547,863

*Note:* The location of the customer is determined by the location of the entity placing the orders for the purchase of the Group’s products.

The contribution to profit from operating activities by geographical area is substantially in line with the overall rate of contribution to turnover and accordingly a geographical analysis of contribution pursuant to Listing Rules requirements is not presented.

### 3. PROFIT FROM OPERATING ACTIVITIES

The Group’s profit from operating activities is arrived after charging/(crediting):

	<b>For the six months ended</b>	
	<b>30 June 2004</b>	30 June 2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$’000</b>	HK\$’000
Cost of inventories sold	<b>482,751</b>	457,165
Depreciation	<b>67,589</b>	63,379
Exchange differences	<b>1,099</b>	487
Interest income	<b>(120)</b>	(186)

#### 4. FINANCE COSTS

	For the six months ended	
	30 June 2004	30 June 2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	4,747	4,500
Bank loans repayable beyond five years	—	30
Shareholders loan	52	—
Finance leases	1,748	2,251
	<hr/>	<hr/>
Total interest	6,547	6,781
Less: Interest capitalised	(1,402)	(1,938)
	<hr/>	<hr/>
	5,145	4,843
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#### 5. TAX

	For the six months ended	
	30 June 2004	30 June 2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current— PRC, other than Hong Kong	—	3,000
Refund of 5% corporate income tax	(5,829)	—
Deferred tax	—	300
	<hr/>	<hr/>
Total tax charge/(credit) for the Period	(5,829)	3,300
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No Hong Kong profits tax and PRC corporate income tax have been provided as the Group did not generate any assessable profits arising in Hong Kong and the PRC in the current period. In the prior period, PRC corporate income tax had been provided on the assessable profits generated by a subsidiary in Shekou, the PRC, at the rate of 15% during that Period.

#### 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders of approximately HK\$38,799,000 for the six months ended 30 June 2004 (2003: HK\$6,056,000) and the weighted average number of ordinary shares in issue during the Period of 640,000,000 (2003: 640,000,000). There were no potential dilutive ordinary shares in existence for the six months ended 30 June 2004 and 2003. Accordingly, no diluted earnings per share have been presented.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Review of operating environment

While the global economic recovery continued, the growth rate in PCB made a sanity correction in the second quarter. In the first half of the year, shipment volumes, in terms of square footage, increased about 4%, as compared with the same period last year. Production reached an average utilization rate of about 90%.

During the first half of 2004, major raw material prices moved upwards. The price of copper foil, 0.028" and above FR4 core laminates went up for more than 90% compared to one year ago. Because of higher cost of petroleum, shutting down of some fiber glass furnaces due to

repair and maintenance, prices for glass cloths and therefore prepreg have also went up drastically. Although materials price has gone up substantially, the PCB market would only accept a moderate price increase in the products in which the Group is producing, ranging from 3% to 8%, indicating that the industry still suffers from a certain extent of excess capacity for the products type that the Group is producing.

In line with the Group's business strategy, the growth in sales of multi-layered boards (6-layered and above) in the first half of 2004 progressed well. The shipment level for multi-layered boards, which account for higher margins, increased by about 43% in the first half of 2004 against the corresponding period last year. Currently, multi-layered boards contribute about 33% of the Group's sales.

As a result of the aforesaid factors, the average sales price for the first half went up about 7% and total turnover reached HK\$607.2 million, representing an increase of 11% over last year.

There is no electricity supply interruption to the production plant of the Group which is located in the Shekou Industrial Zone, Shenzhen. The Group continued to invest resources into upgrading its technical capabilities and enhanced its marketing efforts to expand market coverage and further improve product mix.

### **Review of financial performance**

Compared to the results in the same period in 2003, the Group's turnover increased by 10.8% to approximately HK\$607.2 million, operating profit increased by 168.4% to HK\$38.1 million, net profit attributable to shareholders increased by 540.7% to approximately HK\$38.8 million, and earnings per share increased by 6 times to HK\$0.06 in the first half of 2004.

The Group's shipment levels increased by 4% with the average sales price increased by 7%. The average cost of materials increased by 16.7% mainly due to the increase in cost of major raw materials. However, product overheads decreased by 12.4%. As a result, the average cost of goods sold increased by 1.7%. The overall gross profit margin increased from 16.6% in the first half of 2003 to 20.5% in the first half of 2004. Administrative expenses, selling and distribution expenses and other expenses collectively increased by 12.8%, compared to the same period in 2003, to approximately HK\$90 million.

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associated companies during the first half of 2004.

### **Foreign Exchange Exposure**

Sales of the Group's products are principally denominated in US dollars and the purchase of materials and payments of operational expenses are mainly denominated in US dollars, HK dollars and RMB. Taking into account the Group's operational and capital requirements in the aforesaid currencies, the Group has minimal risk in the event of fluctuation of exchange rates of US dollars, HK dollars and RMB.

Currently, the Group does not have a foreign currency hedging policy and its foreign exchange gains and losses over past few years were relatively low. The Directors will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimize exchange risk should the need arise.

## Liquidity and financial resources

The Group generally finances operations through a combination of internally generated cash flows, shareholders' equity and borrowings from banks.

As at 30 June 2004, the Group had total assets of approximately HK\$1,641 million (31 December 2003: HK\$1,557 million) and interest-bearing borrowings of approximately HK\$491 million (31 December 2003: HK\$462 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 29.9% (31 December 2003: 29.7%).

The Group's net current liabilities of approximately HK\$57 million (31 December 2003: HK\$10 million) consisted of current assets of approximately HK\$628 million (31 December 2003: HK\$582 million) and current liabilities of approximately HK\$685 million (31 December 2003: HK\$592 million), representing a current ratio of approximately 0.92 (31 December 2003: 0.98).

As at 30 June 2004, the Group's current assets consisted of approximately HK\$85 million (31 December 2003: approximately HK\$74 million) held as cash and bank balances, of which 29% in HKD, 63% in USD, 6% in RMB and 2% in other currencies.

As at 30 June 2004, bank loans, overdrafts and other banking facilities of the Group were secured by:

- (a) cross-corporate guarantees by the Company and its subsidiaries;
- (b) a mortgage over certain land and buildings of the Group; and
- (c) a letter of undertaking over certain construction in progress and land and buildings of the Group.

## Interest-bearing borrowings

As at 30 June 2004, the Group had the interest-bearing borrowings as follows:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Amount payable:		
Within one year	<b>319,947</b>	249,181
In the second year	<b>123,211</b>	134,568
In the third to fifth years, inclusive	<b>48,160</b>	78,470
	<b>491,318</b>	462,219
<i>Less:</i> Portion classified as current liabilities	<b>(319,947)</b>	(249,181)
Long term portion	<b>171,371</b>	213,038

Of the total interest-bearing borrowings, HKD denominated loans accounted for 81.4%, USD for 17%, TWD for 1% and Japanese Yen for 0.6% as at 30 June 2004. All interest-bearing borrowings are charged with floating rates. The Directors do not recognize a significant seasonality of borrowing requirements.

## **Prospects**

Construction work of our new plant at Shaoguan went well in the last few months and allowing for unforeseeable circumstances, the relocation of the production line for our low-end products to the Shaoguan plant should be realized by early next year. As explained in our last annual report, the relocation will allow the Group to boost the competitiveness of the product category, and at the same time provide ample room for it to grow its high-layered and high price products at its present Shekou facilities.

Although there are recent concerns that the semi-conductors and IT-related industry may have reached their peak in their usual business cycles, clouded further by the rise in petroleum price and uncertainties in the U.S. economy, the Group remains confident of its business resilience. We believe the continuous efforts over the past few years to improve its product mix would shield it from the possible adverse impacts of the potential downturn. The current relatively small high-price product base of the Group means it has tremendous room for development in the area. The recent success in obtaining business from targeted customers and market areas of the segment proved that the Group is heading in the right direction. It is confident of achieving a product mix that promises higher returns. The landing of new customers also testified to customers' recognition of the Group's technical capability and good quality level vis-a-vis its competitors.

The Group remains generally optimistic of its short and long-term performance.

## **Number and remuneration of employees**

At 30 June 2004, excluding the associate, the Group employed 4,704 staff (31 December 2003: 4,918), of which 96 (31 December 2003: 105) were employed in Hong Kong, 4,573 (31 December 2003: 4,780) in the PRC and 35 (31 December 2003: 33) in various overseas marketing offices. Under the Group's remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

## **Contingent liabilities**

As at 30 June 2004, the Group had contingent liabilities related to trade receivables factored with recourse amounting to HK\$11.7 million (31 December 2003: HK\$22.7 million).

The trade receivable are covered by credit insurance policy. In the event of non-payment by its customer, the Group will be able to recover 90% of amount outstanding.

## **Capital commitments**

As at 30 June 2004, the Group's capital commitments contracted but not provided for amounted to HK\$47 million (31 December 2003: HK\$18 million). All of these capital commitments were related to construction of factory building or acquisition of fixed assets.

## **Dividends**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (30 June 2003: Nil).

## **SHARE OPTION SCHEME**

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include any employees, non-executive directors and customers of the Group, any of its subsidiaries, or any entity (“Invested Entity”) in which the Group holds an equity interest, suppliers of goods or services and person or entity that provides research, development or other technological support to the Group, its subsidiaries, or any Invested Entity, and any shareholder of the Group, its subsidiaries or Invested Entity. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. The Scheme was adopted on 30 May 2002 and became effective on 21 June 2002. No share options were granted during the Period or were outstanding as at 30 June 2004.

## **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 Period.

## **AUDIT COMMITTEE**

These Interim Financial Statements have not been audited, but have been reviewed by the Company’s audit committee.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the Period, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises of Mr. Cheok Ho Fung, Mr. Ng Chi Shing, Mr. Kwok Chi Kwong, Danny, Mr. Wong Shui Hing and Mr. Ting Sui Ping being the Executive Directors and Mr. Ng Kwok Ying, Alvin and Mr. Tang Yok Lam, Andy being the Independent Non-Executive Directors.

## **PUBLICATION OF THE RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

The Interim Financial Statements of the Company for the six months ended 30 June 2004, together with the information required under the paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules, will be published on the Company’s website ([www.topsearch.com.hk](http://www.topsearch.com.hk)) and the Stock Exchange’s website ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

## **APPRECIATION**

On behalf of the Directors, I would like to extend our gratitude and 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  
**CHEOK HO FUNG**  
*Chairman and Chief Executive Officer*

Hong Kong, 31 August 2004

\* *for identification only*

Please also refer to the published version of this announcement in the South China Morning Post.