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## **TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED**

**至卓國際（控股）有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 2323)**

### **CONTINUING CONNECTED TRANSACTION**

The Purchaser and the Suppliers entered into the Raw Materials Supply Agreement on 18 August 2006 in connection with the supply of raw materials by the Kingboard Group to the Group for a term of three years from 1 July 2006 to 30 June 2009.

At the date of this announcement, the Kingboard Group is interested in 128,318,000 Shares, representing approximately 15.01% of the existing issued share capital of the Company. As such, the Kingboard Group is a substantial Shareholder (as defined in the Listing Rules) and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions for the Company under the Listing Rules.

Given that each of the applicable percentage ratio (other than the profit ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the annual caps of the Transactions exceeded 2.5% (with certain annual caps exceeding 25%) on an annual basis and the maximum annual value of the transaction is more than HK\$10,000,000, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing details of the Raw Materials Supply Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders together with a notice convening the SGM will be despatched to the Shareholders within 21 days from the date of this announcement.

The Kingboard Group, its associates and parties in concert with them will be required to abstain from voting on the resolution to approve the Transactions at the SGM.

### **SUPPLY OF RAW MATERIALS, INCLUDING, BUT NOT LIMITED TO, COPPER FOIL, LAMINATES, PREPREGS AND DRILLING BITS BY THE SUPPLIERS TO THE PURCHASER**

#### **Background and nature of the Transactions**

The Group is engaged in the business of manufacture and sale of printed circuit boards and the Kingboard Group had been providing raw materials (including, but not limited to, copper foil, laminates, prepregs and drilling bits) to the Group until the Kingboard Group became a

substantial Shareholder (as defined in the Listing Rules) pursuant to a placing of the shares of the Company which completed on 10 May 2006. For details of such placing, please refer to the announcement of the Company dated 3 May 2006. The Directors confirmed that from the date when the Kingboard Group became a substantial Shareholder up to the date of this announcement, the Group did not purchase any raw materials from the Kingboard Group. Hence, Rule 14A.41 of the Listing Rules is not applicable.

However, since these raw materials are essential for the production of the Group's products and in light of the reasons as set out in the section headed "Reasons and benefits of the Transactions", the Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be sent to the Shareholders) consider that it is in the interest of the Group to continue to engage the Kingboard Group for the supply of raw materials.

As the Kingboard Group is a substantial Shareholder, the supply of raw materials by the Kingboard Group to the Group constitutes continuing connected transactions of the Company. Accordingly, on 18 August 2006, the Suppliers and the Purchaser entered into the Raw Materials Supply Agreement for a period of three years from 1 July 2006 to 30 June 2009 pursuant to which the Suppliers agreed to supply various raw materials as may be required by the Purchaser from time to time (including, but not limited to, copper foil, laminates, prepregs and drilling bits). Furthermore, it was agreed between the Suppliers and the Purchaser that the prices of the raw materials to be sold shall be determined in accordance with the prevailing market prices and terms. The types and quantities of the raw materials to be sold to the Group shall be determined by negotiation between the parties based on the prevailing market conditions. Either party is entitled to give the other party one month's prior written notice to terminate the Raw Materials Supply Agreement.

### **Connection between the parties**

At the date of this announcement, the Kingboard Group is interested in 128,318,000 Shares, representing approximately 15.01% of the existing issued share capital of the Company. As such, the Kingboard Group is a substantial Shareholder (as defined in the Listing Rules) and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions for the Company under the Listing Rules.

### **Annual caps**

The annual transaction value in respect of the Group's purchase of raw materials from the Kingboard Group for the three years ended 31 December 2005 and for the period from 1 January 2006 to 10 May 2006, the date of which the Kingboard Group became a substantial Shareholder, were approximately HK\$68,228,000, HK\$84,723,000, HK\$51,798,000 and HK\$42,145,000 respectively. In considering the annual caps for the Transactions, the Directors have considered a number of factors including: (i) the historical annual transaction amount in the three years ended 31 December 2005 and the period from 1 January 2006 to 10 May 2006; (ii) the existing scale of the Group's operations and the anticipated growth of the Group; (iii) the general printed circuits board market in the next three years; and (iv) the recent increase in the prices of raw materials and the oil prices (which has a direct impact on the prices of raw materials). Having considered these factors, the Directors propose that the annual caps for

the Transactions under the Raw Materials Supply Agreement for the three years from 1 July 2006 to 30 June 2009 shall be approximately as follows:

	<b>Annual cap for the Transactions</b>	<b>Approximate percentage of increase from the previous period</b>
1 July 2006 to 31 December 2006 (for six months)	HK\$82,000,000	95% ( <i>Note 1</i> )
1 January 2007 to 31 December 2007	HK\$190,000,000	53% ( <i>Note 2</i> )
1 January 2008 to 31 December 2008	HK\$228,000,000	20% ( <i>Note 3</i> )
1 January 2009 to 30 June 2009 (for six months)	HK\$132,500,000	16% ( <i>Note 4</i> )

*Notes:*

1. In addition to the anticipated growth of the Group and the general printed circuits board market, the Directors expect that there will be a sharp increase in the transaction value in respect of the Transactions in the six months ending 31 December 2006 as compared to the first few months of 2006 (up to 10 May 2006, the date of which the Kingboard Group became a substantial Shareholder) due to (a) the recent increase in the prices of raw materials and the oil prices; and (b) there has been no purchase of raw materials by the Group from the Kingboard Group after the Kingboard Group became a substantial Shareholder and large amounts of raw materials are expected to be purchased from the Kingboard Group in the remaining months of year 2006.
2. In addition to the anticipated growth of the Group and the general printed circuits board market, the Directors expect that the prices of raw materials and the oil prices will continue to be at a high level in year 2007. As such, in calculating the cap amount the Directors have taken these factors in account.
3. The Directors expect that the increase in the transaction value in respect of the Transactions in year 2008 will primarily be driven by the anticipated growth of the Group and the general printed circuits board market.
4. The Directors expect that the increase in the transaction value in respect of the Transactions in the first six months of 2009 will primarily be driven by the anticipated growth of the Group and the general printed circuits board market.

## **REASONS AND BENEFITS OF THE TRANSACTIONS**

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be sent to the Shareholders) are of the view that the terms of the Transactions are made on an arm's length basis in the ordinary and usual course of business of the Company and are normal commercial terms which are no less favourable than the terms available to or from independent third parties and the annual caps thereof are fair and reasonable and the Transactions are in the interest of the Company and the Shareholders as a whole.

Kingboard is an investment holding company. Its principal subsidiaries are engaged in the manufacture of laminates, copper foil, glass fabric, glass yarn, bleached kraft paper, printed circuit boards, chemicals, liquid crystal displays and magnetic products. Most of the copper foil, glass fabric, glass yarn and bleached kraft paper produced are used by the Kingboard Group in its manufacturing of laminates.

The Kingboard Group has been one of the major suppliers of the Company since 1999. The Directors believe it is in the best interest of the Company and the Shareholders as a whole to continue to engage the Kingboard Group to supply for its raw materials in order to avoid a possible disruption to the Group's business through a change of supplier of raw materials.

## **CONTINUING CONNECTED TRANSACTION**

Given that each of the applicable percentage ratio (other than the profit ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the above annual caps exceeded 2.5% (with certain annual caps exceeding 25%) on an annual basis and the maximum annual value of the transaction is more than HK\$10,000,000, the Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee of the Company has been appointed to advise the Independent Shareholders on the terms of the Raw Materials Supply Agreement. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders on the terms of the Raw Materials Supply Agreement.

A circular containing details of the Raw Materials Supply Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders together with a notice convening the SGM will be despatched to the Shareholders within 21 days from the date of this announcement.

The Kingboard Group, its associates and parties in concert with them will be required to abstain from voting on the resolution to approve the Transactions at the SGM.

## **DEFINITIONS**

As used in this announcement, the following words and phrases shall have the following meanings:

“Board”	board of Directors
“Company”	Topsearch International (Holdings) Limited, an exempted company incorporated in Bermuda and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Kingboard Group and its associates

“Kingboard”	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands and whose securities are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 148)
“Kingboard Group”	Kingboard and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Purchaser”	Topsearch Printed Circuits (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Raw Materials Supply Agreement”	the master raw materials supply agreement dated 18 August 2006 entered into between the Purchaser and the Suppliers pursuant to which the Suppliers were appointed as non-exclusive suppliers of raw materials of the Purchaser
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Raw Materials Supply Agreement
“Shareholders”	the shareholders of the Company
“Suppliers”	Kingboard Copper Foil (Macao Commercial Offshore) Limited (建滔銅箔(澳門離岸商業服務)有限公司) and Kingboard Laminates (Macao Commercial Offshore) Limited (建滔積層板(澳門離岸商業服務)有限公司), companies incorporated in Macau with limited liability and held as to approximately 62 % and 100% by Kingboard
“Transactions”	the supply of raw materials including, but not limited to, copper foil, laminates, prepregs and drilling bits to Purchaser by the Suppliers pursuant to the Raw Materials Supply Agreement

On behalf of the Board

**Cheok Ho Fung**

*Chairman and Chief Executive Officer*

Hong Kong, 18 August 2006

*As at the date of this announcement, the Board comprises Mr. Cheok Ho Fung, Mr. Ting Sui Ping and Mr. Ho Siu Man being the Executive Directors, Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin being the Non-Executive Directors and Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Look Guy being the Independent Non-executive Directors.*

\* *For identification purposes only*

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