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

(incorporated in Bermuda with limited liability)

(Stock Code: 2323)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 2006 (the "Period") together with comparative figures. The Interim Financial Statements have been reviewed by the Company's audit committee and the Company's auditors, Ernst & Young.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	2	**865,112**	777,063
Cost of sales		**(712,847)**	(617,160)
GROSS PROFIT		**152,265**	159,903
Other income	2	**5,472**	4,992
Selling and distribution costs		**(57,749)**	(55,373)
Administrative expenses		**(48,433)**	(44,458)
Other expenses		**(2,530)**	(311)
Finance costs	4	**(22,510)**	(9,983)
PROFIT BEFORE TAX	3	**26,515**	54,770
Tax	5	**1,782**	(3,300)
PROFIT AFTER TAX		**28,297**	51,470
Attributable to equity holders of the parent		**28,297**	51,470
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
— Basic		**3.8 cents**	7.5 cents
— Diluted		**3.8 cents**	7.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**1,412,698**	1,284,295
Prepaid land lease payments	**31,740**	31,769
Interest in an associate	**599**	527
Rental and utility deposits	**2,146**	3,045
Prepaid rental, long term portion	**1,323**	1,323
Available-for-sale financial assets	**1,954**	1,851
Deposits for items of property, plant and equipment	**41,929**	37,185
Total non-current assets	**1,492,389**	1,359,995
CURRENT ASSETS		
Inventories	**342,456**	272,918
Trade receivables	**401,325**	437,665
Prepayments, deposits and other receivables	**67,519**	55,137
Cash and cash equivalents	**105,776**	156,341
Total current assets	**917,076**	922,061
CURRENT LIABILITIES		
Trade payables	**414,056**	416,071
Other payables and accruals	**75,899**	92,761
Interest-bearing bank loans	**249,877**	294,453
Current portion of a shareholder's loan	**30,000**	—
Finance lease payables	**93,126**	69,438
Tax payable	**12,221**	9,868
Total current liabilities	**875,179**	882,591
NET CURRENT ASSETS	**41,897**	39,470
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,534,286**	1,399,465
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**278,325**	297,361
Shareholder's loan	**—**	30,043
Finance lease payables	**133,191**	94,318
Deferred tax liabilities	**33,355**	37,295
Total non-current liabilities	**444,871**	459,017
Net assets	**1,089,415**	940,448
EQUITY		
Issued capital	**85,500**	71,080
Reserves	**1,003,915**	869,368
Total equity	**1,089,415**	940,448

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2006

1. Accounting policies

The condensed consolidated interim financial statements for the six months ended 30 June 2006 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and the basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and Interpretations that affect the Group and are adopted for the first time in the current period's financial statements:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Minerals Resources
HKFRS 6	Exploration for and Evaluation of Minerals Resources
HK(IFRIC)-Int 4	Determining Whether an Arrangement Contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the method of computation in the Group's Interim Financial Statements.

2. Revenue and other income

Revenue represents the net invoiced value of goods sold, after allowances for returns, rebates and trade discounts. The Group's principal activity during the Period was the manufacture and sale of printed circuit boards ("PCBs"), which is 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 revenue by business segment is provided.

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

	For the six months ended	
	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Asia, excluding the PRC, Hong Kong and Taiwan	**355,327**	387,103
The PRC and Hong Kong	**228,931**	153,332
Taiwan	**114,413**	104,932
North America	**70,011**	71,426
Europe	**96,430**	60,270
	865,112	777,063

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 before tax by geographical area is substantially in line with the overall rate of contribution to revenue and accordingly a geographical analysis of contribution pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") requirements is not presented.

An analysis of other income is as follows:

	For the six months ended	
	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Tooling income	**4,539**	4,595
Bank interest income	**913**	248
Others	**20**	149
	5,472	4,992

3. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**712,847**	617,160
Depreciation	**83,587**	74,473
Amortisation of prepaid land lease payments	**318**	161
Foreign exchange differences, net	**1,978**	311
Bank interest income	**(913)**	(248)

4. Finance costs

	For the six months ended	
	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	**18,017**	8,110
Shareholder's loan	**660**	303
Finance leases	**4,928**	1,970
Total interest	**23,605**	10,383
Less: Interest capitalised	**(1,095)**	(400)
	22,510	9,983

5. Tax

	For the six months ended	
	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current-PRC, other than Hong Kong	**2,158**	5,300
Deferred tax	**(3,940)**	(2,000)
Total tax charge/(credit) for the Period	**(1,782)**	3,300

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 the Period. No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong in the current period.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to the ordinary equity holders of the parent of HK$28,297,000 for the Period (2005: HK$51,470,000) and the weighted average of 752,572,376 (2005: 689,522,099) ordinary shares in issue during the Period.

The calculation of diluted earnings per share is based on the Group's profit attributable to the ordinary equity holders of the parent of HK$28,297,000 for the Period (2005: HK$51,470,000). The weighted average number of ordinary shares used in the calculation is the 752,572,376 (2005: 689,522,099) weighted average number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 1,930,659 (2005: 4,276,386) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

7. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

8. Warrants

Pursuant to the ordinary resolution passed on 5 June 2006, the Company issued bonus warrants on the basis of one warrant for every ten existing ordinary shares held by the shareholders on 5 June 2006. The warrant holders are entitled to subscribe for new shares at the initial subscription price of HK$1.20 during the subscription period from 26 June 2006 to 31 October 2008.

None of the warrants were exercised during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operating environment

In the first half of the year, shipment volumes, in terms of square footage, decreased by about 3%, as compared with the same period last year. Production reached an average utilization rate of about 80%.

During the first half of 2006, major raw material prices surged by double digit. Despite the significant increase in material prices, the PCB market would only accept a moderate price increase in the products in which 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 2006 progressed well. The shipment level for multi-layered boards, which provide higher margins, increased by about 36% in the first half of 2006 against the corresponding period last year. Currently, multi-layered boards contribute about 47% of the Group's sales.

As a result of the aforesaid factors, the average sales price in the first half of 2006 went up by about 14% and total revenue reached HK$865 million, representing an increase of 11% over last year.

In view of the continuous rise in manufacturing costs in Shenzhen, the Group continues to shift production from the Shekou plant to Shaoguan plant. Although the shifting of production has been conducted in a planned and orderly manner, the move resulted in the Company having to incur short term costs. For Shaoguan plant, it is the learning curve experienced by the new local team whereas, for Shekou plant there has been down-sizing pain. This has led to the reduction in output and operating profit of the Group in the period under review. The Management is of the opinion that when the relocation is complete and both plants are running smoothly, the performance of the Group will be improved tremendously.

The Group continues 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 2005, the Group's revenue increased by 11% to approximately HK$865 million, profit attributable to shareholders decreased by 45% to approximately HK$28 million, and earnings per share decreased to HK3.8 cents in the first half of 2006.

The Group's shipment levels decreased by 3% with the average sales price increased by 14%. The average cost of materials increased by 17% mainly due to the increase in cost of major raw materials. The overall gross profit margin decreased to 18% in the first half of 2006 as compared to 21% in the first half of 2005. Administrative expenses, selling and distribution costs and other expenses collectively increased by 9%, compared to the same period in 2005, to approximately HK$109 million.

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the first half of 2006.

Foreign exchange exposure

Sales of the Group's products are principally denominated in US dollars and the purchases of materials and payments of operational expenses are mainly denominated in US dollars ("USD"), HK dollars ("HKD") and Renminbi ("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 USD, HKD 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 minimise 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 2006, the Group had total assets of approximately HK$2,409 million (31 December 2005: HK$2,282 million) and interest-bearing borrowings of approximately HK$785 million (31 December 2005: HK$786 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 33% (31 December 2005: 34%).

The Group's net current assets of approximately HK$42 million (31 December 2005: HK$39 million) consisted of current assets of approximately HK$917 million (31 December 2005: HK$922 million) and current liabilities of approximately HK$875 million (31 December 2005: HK$883 million), representing a current ratio of approximately 1.05 (31 December 2005: 1.04).

As at 30 June 2006, the Group's current assets consisted of approximately HK$106 million (31 December 2005: HK$156 million) held as cash and bank balances, of which 24% in HKD, 57% in USD, 16% in RMB and 3% in other currencies.

As at 30 June 2006, bank loans and other banking facilities of the Group were secured by:

(a) the assignment of certain trade receivables of a subsidiary;

(b) cross-corporate guarantees by the Company and certain subsidiaries; and

(c) certain land and buildings held by the Group.

Interest-bearing borrowings

Of the total interest-bearing borrowings, HKD denominated loans accounted for 80% (2005: 84%) and USD for 20% (2005: 16%) as at 30 June 2006. Almost all interest-bearing borrowings are charged with floating rates. There is no significant variation on borrowing requirements of the Group due to seasonality.

Prospects

As reported earlier in our last statement on 7 April 2006 in our 2005 Annual Report, the Group has continued to shift production from Shekou plant to Shaoguan plant during the first half of 2006. And by August 2006, the Shaoguan plant's production has reached 80% of the expected 1 million sq. ft.. The short-fall is mainly due to difficulties encountered while relocating certain used equipment from Shekou plant to Shaoguan plant. Performance of the relocated equipments, stability in production process, and the required increases in quality level due to the higher sales mix of multi-layer products have caused the output level of the new plant to reduce while the equipment was being fine-tuned.

Accordingly, production output target of Shaoguan to achieve 1 million sq. ft. per month will be postponed to the end of this year and we will target to increase the output further by the first half of 2007. These difficulties encountered have directly affected the financial performance of the Group during the first half of 2006. Meanwhile, restructure of the Group's organisation in both plants since March 2006 has started to achieve substantial savings in operating overheads by June 2006 and such savings would be reflected in the second half of 2006. The Group is also continuing to strengthen its total quality system. Substantial resources will be allocated in this area during the ensuing six months, with an aim to attain a stable production process and perfect the reliability of its products.

Because of the issues encountered during the plant relocation and the organisation restructure, progress of the Tongliao plant construction has been slowed down so that our Management team can focus on solving the issues.

Number and remuneration of employees

As at 30 June 2006, excluding the associate, the Group had approximately 7,303 staff (31 December 2005: 7,500), of which 71 (31 December 2005: 90) were employed in Hong Kong, 7,198 (31 December 2005: 7,372) in the PRC and 34 (31 December 2005: 38) 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.

Contingent liabilities

On 1 March 2006, a former customer has filed a claim against one of the subsidiaries of the Company seeking incidental and consequential damages associated with the alleged failures of the products sold by the subsidiary and claimed the subsidiary for damages amounting to approximately US$8 million.

The directors, after consulting the legal counsel, are of the opinion that it is not probable that the former customer will succeed in the claim. Thus, no provision for the lawsuit has been made in the Interim Financial Statements.

Capital commitments

As at 30 June 2006, the Group's capital commitments contracted but not provided for amounted to HK$71 million (31 December 2005: HK$146 million). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (30 June 2005: Nil).

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.

CORPORATE GOVERNANCE REPORT

Mission Statement of Corporate Governance

"We thrive to achieve a high level of corporate governance while supplying quality PCBs to the market and balancing the stakeholders' interests as our top priorities."

The Board of Directors and the senior management of the Company are of the opinion that during the first half year of 2006, the Company has properly operated in accordance with the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Listing Rules except for the deviation as stated in the section "Compliance with CG Code".

Compliance with CG Code

The Directors confirm that, for the financial period ended 30 June 2006, the Company has complied with the CG Code with the deviation mentioned below:

1. Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. Under the Code Provisions A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement does not have a material adverse impact on the corporate governance of the Company.

The Board of Directors will carry out a review in the following year and propose any amendment, if necessary, to ensure compliance with the Code provisions on Corporate Governance as set out in the Listing Rules.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted a code of conduct (the "Own Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Model Code throughout the financial period ended 30 June 2006. Senior managers, who, because of their offices in the Company, are likely to be in possession of unpublished price sensitive information, also have to comply with the provisions of the Model Code and the Own Code.

BOARD OF DIRECTORS

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.

The Company has appointed sufficient numbers of Independent Non-Executive Directors in accordance with the Listing Rules, including those with accounting and finance expertise. They have dedicatedly provided the Company with professional advice with respect to the steady operation and development of the Company. They also exercise supervision and coordination to safeguard interests of the Company and its shareholders.

AUDIT COMMITTEE

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee and Ernst & Young in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM REPORT ON STOCK EXCHANGE'S WEBSITE

The 2006 Interim Report of the Company containing all the information required by the Listing Rules will be published on the websites of the Company (www.topsearch.com.hk) and the Stock Exchange (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, 15 September 2006

* *For identification purposes only*

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