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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The board of directors (the "Board" or "Directors") of Topsearch International (Holdings) Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with comparative figures for 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**1,732,797**	1,631,423
Cost of sales		**(1,464,158)**	(1,316,487)
Gross profit		**268,639**	314,936
Other income and gains	3	**12,414**	13,185
Selling and distribution costs		**(129,189)**	(109,166)
Administrative expenses		**(84,079)**	(96,019)
Other expenses		**(932)**	(2,384)
Finance costs	5	**(45,532)**	(25,765)
PROFIT BEFORE TAX	4	**21,321**	94,787
Tax	6	**7,017**	(1,573)
PROFIT FOR THE YEAR		**28,338**	93,214
Attributable to equity holders of the parent	7	**28,338**	93,214
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**3.5 cents**	13.3 cents
Diluted		**3.5 cents**	13.3 cents

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,431,532**	1,284,295
Prepaid land lease payments		**31,617**	31,769
Interest in an associate		**558**	527
Rental and utility deposits		**2,035**	3,045
Prepaid rental, long term portion		**1,184**	1,323
Available-for-sale financial assets		**1,758**	1,851
Other receivables		**1,755**	—
Deposits paid for items of property, plant and equipment		**11,096**	37,185
Total non-current assets		**1,481,535**	1,359,995
CURRENT ASSETS			
Inventories		**301,238**	272,918
Trade receivables	*9*	**401,244**	437,665
Prepayments, deposits and other receivables		**95,012**	55,137
Pledged deposits		**496**	—
Cash and cash equivalents		**111,639**	156,341
Total current assets		**909,629**	922,061
CURRENT LIABILITIES			
Trade payables	*10*	**381,329**	416,071
Other payables and accruals		**86,708**	92,761
Interest-bearing bank loans		**260,656**	294,453
Current portion of a shareholder's loan		**30,043**	—
Finance lease payables		**75,752**	69,438
Tax payable		**12,223**	9,868
Total current liabilities		**846,711**	882,591
NET CURRENT ASSETS		**62,918**	39,470
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,544,453**	1,399,465
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**306,350**	297,361
Non-current portion of a shareholder's loan		**—**	30,043
Finance lease payables		**100,998**	94,318
Deferred tax liabilities		**28,030**	37,295
Total non-current liabilities		**435,378**	459,017
Net assets		**1,109,075**	940,448
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**85,760**	71,080
Reserves		**1,023,315**	869,368
Total equity		**1,109,075**	940,448

Notes:

1.1 Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and available-for-sale financial assets which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

1.2 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

1.3 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments

HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. Segment information

Segment information of the Group is presented by business segment and geographical segment. The business segment reporting basis is chosen as the primary segment reporting format as this is more relevant to the Group's internal financial reporting.

(a) Business segments

No further business segment information is presented as the manufacture and sale of printed circuit boards is the only major business segment of the Group.

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

	2006	2005
	HK$'000	*HK$'000*
Asia, excluding the People's Republic of China (the "PRC") and Taiwan	**711,556**	712,611
PRC, including Hong Kong	**456,821**	410,360
Europe	**224,838**	132,910
Taiwan	**190,498**	238,746
North America	**149,084**	136,796
	1,732,797	1,631,423

As the Group's production facilities are all located in the Guangdong Province, the PRC, no further geographical segment information on assets and capital expenditure is provided.

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, rebates and trade discounts.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,732,797**	1,631,423
Other income		
Tooling income	**8,748**	8,915
Bank interest income	**1,373**	1,066
Tax refund for reinvestment of profits in a PRC subsidiary*	**—**	1,237
Others	**282**	605
	10,403	11,823
Gains		
Foreign exchange differences, net	**2,011**	1,362
	12,414	13,185

* *In the prior year, PRC corporate income tax refund was received by the Group for the reinvestment of profits earned by a PRC subsidiary as a capital contribution during the prior years.*

4. Profit before tax

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

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**1,450,021**	1,310,429
Depreciation	**170,207**	155,840
Minimum lease payments under operating leases on land and buildings	**9,836**	11,339
Auditors' remuneration	**1,750**	1,712
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**181,424**	174,459
Equity-settled share option expense	**—**	120
Retirement scheme contributions	**12,894**	13,481
Less: Forfeited contributions	**(60)**	(82)
Net retirement scheme contributions*	**12,834**	13,399
	194,258	187,978
Loss on disposal of items of property, plant and equipment	**9,635**	1,676
Provision for obsolete inventories	**14,137**	6,058
Impairment of an available-for-sale financial asset	**93**	—
Foreign exchange differences, net	**(2,011)**	(1,362)

* *At 31 December 2006, there was no forfeited contribution available to reduce contributions to the retirement schemes in future years (2005: Nil).*

5. Finance costs

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**34,077**	22,589
Shareholder's loan	**1,341**	912
Finance leases	**11,209**	5,521
Total interest	**46,627**	29,022
Less: Interest capitalised	**(1,095)**	(3,257)
	45,532	25,765

6. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil). No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax (2005: Nil). No corporate income tax was provided for a subsidiary of the Group in the Mainland China, 至卓飛高線路板(曲江)有限公司, which is under the PRC tax holiday with "a tax exemption for two years and a 50% reduction for the following three years" ("兩免三減半"). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Overprovision in prior years	**—**	(185)
Current — Elsewhere		
Charge for the year	**3,248**	8,300
Overprovision in prior years	**(1,000)**	—
Refund of 5% PRC corporate income tax*	**—**	(472)
Deferred	**(9,265)**	(6,070)
Total tax charge/(credit) for the year	**(7,017)**	1,573

* *PRC corporate income tax is provided at the rate of 15% on the profits generated by certain subsidiaries of the Company in the Mainland China. The applicable corporate income tax rate for Topsearch Printed Circuits (Shenzhen) Ltd. will be reduced to 10% from the standard rate of 15% according to "Detailed Rules for the Implementation of the Income Tax Law of the People's Republic of China for Foreign Investment Enterprises and Foreign Enterprises" when the company is granted the status of Export Enterprise by the Shenzhen Economic Development Bureau. The status has to be certified every year based on a criterion of whether the export sales made by the company exceed 70% of the total sales in that particular year.*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country/jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	**21,321**		94,787	
Tax at the statutory tax rate of 15%	**3,198**	**15.0**	14,218	15.0
Lower tax rates for other jurisdiction	**—**	**—**	(2,300)	(2.4)
Adjustments in respect of current tax of previous periods	**(1,000)**	**(4.7)**	(185)	(0.2)
Refund of 5% of profits earned in 2004	**—**	**—**	(472)	(0.5)
Net profit not subject to tax	**(10,143)**	**(47.6)**	(10,451)	(11.0)
Expenses not deductible for tax	**928**	**4.4**	763	0.8
Tax charge/(credit) at the Group's effective rate	**(7,017)**	**(32.9)**	1,573	1.7

7. Profit attributable to equity holders of the parent

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a profit of HK$21,677,000 (2005: HK$22,046,000) which has been dealt with in the financial statements of the Company.

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$28,338,000 (2005: HK$93,214,000) and the weighted average number of ordinary shares of 804,415,000 (2005: 700,220,000) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$28,338,000 (2005: HK$93,214,000). The weighted average number of ordinary shares used in the calculation is 804,415,000 (2005: 700,220,000), the weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation, and 1,789,000 (2005: 3,208,000), the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary share. The warrants outstanding during the year had an anti-dilutive effect on the basic earnings per share.

9. Trade receivables

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment record. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days. The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**349,848**	389,748
31 to 60 days	**30,958**	32,381
61 to 90 days	**12,077**	9,038
Over 90 days	**8,361**	6,498
	401,244	437,665

At 31 December 2005, trade receivables of HK$38,376,000 were assigned to a bank to secure bank loans drawn.

10. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on the date of receipt of the respective goods and services, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**269,169**	246,198
31 to 60 days	**44,988**	82,243
61 to 90 days	**22,913**	44,673
Over 90 days	**44,259**	42,957
	381,329	416,071

Included in the trade payables are trade payables of HK$37,972,000 (2005: Nil) due to a related company which are repayable within 60 days, which represented similar credit terms to those offered by the related company to its major customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2006 was a challenging year for the Group. The financial performance of the Group was affected by the double digit increase in major raw materials prices, the short term costs incurred in shifting production from the Shekou plant to Shaoguan plant and the related down size costs, and the business interruption caused by a fire accident occurred in the Shekou plant in early December 2006. These led to the reduction in production output and operating profit of the Group. The Group performed breakeven in the second half of 2006 and profit attributable to shareholders was HK$28 million, the same as in our 2006 Interim Report.

During the year under review, the Group's revenue increased by 6% to approximately HK$1,733 million. Total shipment volumes in terms of square footage decreased by 7% with average sales price increased by 13% as compared with that of last year. In line with the Group's business strategy, the shipment of multi-layered boards (6-layered and above) increased by 20% over that of last year. These multi-layered boards had contributed about 46% to the Group's annual sales versus 41% in last year. Production facilities were operated at an average utilization rate of about 80%.

Gross profit of HK$269 million had decreased 15% over that of 2005. The decrease was attributed to the significant increase in raw material prices and rising labour costs. Although a substantial amount of work has been redirected to the Shaoguan plant during the year to take advantage of cheaper labour rate there, the revision of minimum wages rates in Shenzhen, the PRC in September 2006 has resulted a rapid and sharp increase of labor cost in Shenzhen plant, defeating our original plan of reaping reasonable savings in labour cost for the whole year. Operating profit before interest and tax margin decreased from 7.4% in 2005 to 3.9% this year. With high interest expenses, net profit margin decreased further from 5.7% in 2005 to 1.6% in 2006.

The Shaoguan plant commenced operations in April 2005. It had produced about 900,000 square feet of PCB per month by the end of 2006. It is expected that the production capacity of Shaoguan plant can be increased to 1 million square feet per month by the third quarter in 2007 with minimum further investment in capital expenditure. Total production capacity of the Group expects to be increased to 2 million square feet per month by the end of 2007 when the interruption caused by the fire accident is over.

Financial Review

The Group's revenue increased by 6% to HK$1,733 million from HK$1,631 million in 2005. Operating profit before interest and tax was HK$67 million, representing a decrease of 45% over last year of HK$121 million. Profits attributable to shareholders amounted to HK$28 million, as compared to HK$93 million in 2005. Basic earnings per share were 3.5 Hong Kong cents, as compared to 13.3 Hong Kong cents in 2005.

The Group's shipment volume decreased by 7% and average sales prices increased by 13%. Material costs increased by double digit over the year as a result of higher oil prices, surge in metal prices and the appreciation of RMB. The increase of production overheads by 15% per square feet was mainly attributed to the relative fixed nature of production overheads and the low utilization of production capacities. Overall gross profit margin was dropped from 19.3% in last year to 15.5% in this year.

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 31 December 2006, the Group had total assets of HK$2,391 million (31 December 2005: HK$2,282 million) and interest-bearing borrowings of HK$774 million (31 December 2005: HK$786 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of 32% (31 December 2005: 34%).

The Group's net current asset of HK$63 million (31 December 2005: HK$39 million) consisted of current assets of HK$910 million (31 December 2005: HK$922 million) and current liabilities of HK$847 million (31 December 2005: HK$883 million), representing a current ratio of 1.07 (31 December 2005: 1.04).

As at 31 December 2006, the Group's current assets consisted of HK$112 million (31 December 2005: HK$156 million) held as cash and cash equivalents, of which 5% was in HKD, 57% was in USD, 34% was in RMB and 4% in other currencies.

The Group's current assets also consisted of HK$401 million (31 December 2005: HK$438 million) trade receivables from customers. Debtors' turnover days decreased to 88 days (31 December 2005: 93 days) as a result of effective credit control management.

As at 31 December 2006, the Group's inventories increased to HK$301 million (31 December 2005: HK$273 million). Inventory turnover days was 72 days (31 December 2005: 66 days), mainly as a result of an increase in material prices and an increase in Just-In-Time requirements from major customers. Trade payables decreased to HK$381 million from HK$416 million in 2005 which was in line with the increase in equity financing. Creditor's turnover days was approximately 99 days (31 December 2005: 105 days).

Interest-bearing Borrowings

As at 31 December 2006, the Group had the interest-bearing borrowings as follows:

	2006	2005
	HK$'000	*HK$'000*
Amounts payable:		
Within one year	**366,451**	363,891
In the second year	**278,445**	239,816
In the third to fifth year, inclusive	**128,903**	181,906
	773,799	785,613
Less: Portion classified as current liabilities	**(366,451)**	(363,891)
Long term portion	**407,348**	421,722

Of the total interest-bearing borrowings, USD denominated loans accounted for 18% (2005: 16%) and the 82% balance were HKD denominated loans (2005: 84%). Almost all interest-bearing borrowings are charged with floating rates. The Group had maintained Hong Kong Dollar unexpired interest rate swap contract of HK$98 million (2005: HK$178 million) to hedge the HIBOR based loans. The Directors do not recognize a significant seasonality of borrowing requirements.

On 15 October 2006, the Group arranged a syndicated loan facility of HK$165 million with several financial institutions. The facility was a term loan facility with a tenor of 36 months from 15 October 2006. The facility was mainly used to refinance HK$100 million syndicated loan facility drawn in 2004 and for other general working capital requirements.

Foreign Exchange Exposure

Since The People's Bank of China announced an appreciation of 2% of RMB in July 2005, RMB versus USD further appreciated 3.3% over the year under review. Approximately 39% of the Group's purchases and expenses were denominated in RMB. As the Group imported a substantial proportion of its critical raw materials and machineries from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from Renminbi revaluation. Presently, the Group has not entered into any financial instrument for hedging purposes. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimize exchange risk should the need arise.

Number and Remuneration of Employees

As at 31 December 2006, excluding the associate, the Group had approximately 7,900 employees. For the financial year ended 31 December 2006, total staff costs amounted to HK$202 million. 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 Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants including any employees of the Group. In January 2006, a total of 9,800,000 share options were outstanding under the scheme. During the year under review, a total of 4,800,000 share options were exercised and 5,000,000 shares options were lapsed. As at 31 December 2006, no share options were outstanding under the scheme.

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

At 31 December 2006, banking facilities of HK$797 million (2005: HK$761 million) granted to and finance lease agreements of HK$201 million (2005: HK$200 million) entered into by subsidiaries which were subject to the guarantees given by the Company were utilised to the extent of approximately HK$193 million (2005: HK$312 million) and HK$171 million (2005: HK$163 million), respectively.

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 failure of the products sold by the subsidiary and claimed the subsidiary for damages amounting to approximately US$8 million (approximately HK$62,400,000).

The directors, after consulting with 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 damages has been made in the financial statements.

Capital Commitments

As at 31 December 2006, the Group's capital commitments contracted but not provided for amounted to HK$81 million. (2005: HK$146 million). All of these capital commitments were related to construction of factory building or acquisition of fixed assets.

Other Commitments

At 31 December 2006, the Group's contribution payable for the registered capital of two wholly-foreign-owned subsidiaries established in the PRC totally amounted to HK$411 million (2005: HK$599 million), of which HK$278 million represented investment in a subsidiary in Tongliao, Inner Mongolia of China to be payable within three months up to June 2007 and HK$132 million represented investment in a subsidiary in Shaoguan, Guangdong Province of China to be payable within five years up to December 2010.

Prospects

After the Management of the Company has taken a bold decision at the beginning of last year to implement substantial changes in its personnel structure to ensure the Company can become more competitive in a fiercely competitive market, a number of plans has been implemented for such re-organization. However, the Management has encountered many adverse factors both internally and externally affecting the operations of the Group. This year has been too eventful for us to complete such improvement plans and bring in meaningful financial performance within the fiscal year. Overall, the Management has expressed its disappointment with the outcome as it has paid great efforts during the year under review.

Despite the unsatisfactory financial results for the year, certain progress made in the new plant at Shaoguan near year end and during the first quarter of year 2007 has been very encouraging. Production yields have been drastically improved during the past few months and given the type of products that the plant is now producing, such performance should be considered very competitive in the market place and the Management is very optimistic in this new plant's prospects in securing more business from new customers and further expand its production output during the second half of 2007.

Meanwhile, although the Shekou plant has suffered certain set-backs because of the fire incident happened in early December 2006, the production capacity is expected to resume by the end of second quarter in 2007. Consequently, revenue for the Shekou plant will be gradually resumed to normal during the second half of year 2007. Operations management in the Shekou plant has also become more mature since the last organizational restructuring and the Company is confident that such maturity would allow the Company to continue to improve its profit margin through changes in its product mix, in order to face the challenge of eroding profit due to increase in raw material price.

Regarding the Tongliao Plant, the outstanding construction work remained at approximately 20% of the overall project since September 2006 when it has been decided to slow down the construction progress. This project shall be resumed soon and its expected time of completion will be around the third quarter in 2007, while trial production shall start in the last quarter in 2007. Due to the relatively small scale of production of this new plant, it is expected no significant profit contribution will be made to the Group in the year of 2007.

Placing of Existing Shares and Subscription for New Shares

Pursuant to the placing and subscription agreements both dated 3 May 2006, Inni International Inc., a substantial shareholder and controlling shareholder of the Company, placed 142,000,000 ordinary existing shares of HK$0.10 each (the "Share") in the issued share capital of the Company at HK$0.80 per share to a placing agent and subscribed for 142,000,000 new Shares at HK$0.80 per share, resulting in a total cash consideration, before expenses, of approximately HK$114 million.

During the year, a bonus issue of warrants was made in the proportion of one warrant for every ten ordinary shares held by the members on the register of members on 5 June 2006, resulting in 85,455,000 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$1.20 per share, payable in cash and subject to adjustment from 26 June 2006 to 31 October 2008.

None of the warrants were exercised during the year. At the balance sheet date, the Company had 85,455,000 warrants outstanding (31 December 2005: Nil).

Dividend

The Directors do not recommend the payments of a final dividend for the year ended 31 December 2006 (31 December 2005: Nil).

Closure of Register of Members

The register of Members of the Company will be closed from 6 June 2007 (Wednesday) to 8 June 2007 (Friday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting, transfer forms accompanied by relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 5 June 2007 (Tuesday).

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Audit Committee

The Company established an Audit Committee on 30 May 2002 with written terms of reference to review and supervise the financial reporting process and internal controls of the Group. Meetings were held to review the interim financial statements of the Company for the financial period ended 30 June 2006, and financial statements of the Company for the year ended 31 December 2006.

This annual results announcement has been reviewed by the Audit Committee.

As at the date of this report, the Committee comprised three Independent Non-Executive Directors, namely Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee, Mr. Ng Kee Sin and one Non-Executive Director namely Mr. Ng Kwok Ying, Alvin.

Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the code provision set out in Code on Corporate Governance (the "Code") contained in Appendix 14 of the Listing Rules throughout the year except for the deviations as 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 CG Code provisions as set out in the Listing Rules.

2. Following the resignation of Mr. Look Guy and prior to the appointment of Mr. Ng Kee Sin, the Board includes only two independent non-executive directors where the Company has been temporarily deviated from Rule 3.10 (1) of the Listing Rules which requires at least three independent non-executive directors in the board of a listed issuer and Rule 3.21 which governs the composition of audit committees during the transitional period from 21 December 2006 to 19 March 2007.

   Mr. Ng Kee Sin has been appointed as an independent non-executive director and a member of the audit committee of the Company for an initial term of three years with effect from 20 March 2007, subject to retirement by rotation and re-election pursuant to the Bye-laws of the Company. He is entitled to annual emoluments of HK$120,000 which are determined by reference to his duties and responsibilities with the Company and the market benchmark.

Board of Directors

As at the date of this announcement, the Board comprised Mr. Cheok Ho Fung, Mr. Ting Sui Ping being the Executive Directors, Mr. Tang Yok Lam, Andy, Mr. Ng Kwok Ying, Alvin and Mr. Mok Cham Hung, Chadwick being the Non-executive Directors and Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin being the Independent Non-executive Directors.

Publication of the Results on the Website of the Stock Exchange

The consolidated financial statements of the Company for the year ended 31 December 2006, together with the information required under paragraph 45 of Appendix 16 to the Listing Rules, will be published on the Company's website (www.topsearch.com.hk) and the Stock Exchange's website (www.hkex.com.hk) in due course.

Appreciation

On behalf of the Board, I would like to extend my gratitude and sincere appreciation to all management and staff members for their diligence and dedication, and also to our business partners and the Company's shareholders for their continuing support.

On behalf of the Board
CHEOK HO FUNG
Chairman and Chief Executive Officer

Hong Kong, 20 April 2007

As at the date of this announcement, the Board comprised Mr. Cheok Ho Fung and Mr. Ting Sui Ping being the Executive Directors, Mr. Tang Yok Lam, Andy, Mr. Ng Kwok Ying, Alvin and Mr. Mok Cham Hung, Chadwick being the Non-Executive Directors and Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin being the Independent Non-Executive Directors.

* *For identification purposes only*

Please also refer to the published version of this announcement in The Standard.