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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

The board of directors (the "Board" or "Directors") of Topsearch International (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results and financial positions of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 together with comparative figures of 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**1,614,834**	1,732,797
Cost of sales		**(1,436,196)**	(1,464,158)
Gross profit		**178,638**	268,639
Other income and gains	*5*	**75,550**	12,414
Selling and distribution costs		**(109,815)**	(129,189)
Administrative expenses		**(78,083)**	(84,079)
Other expenses		**(22,159)**	(932)
Finance costs	*7*	**(42,748)**	(45,532)
PROFIT BEFORE TAX	*6*	**1,383**	21,321
Tax	*8*	**1,493**	7,017
PROFIT FOR THE YEAR		**2,876**	28,338
Attributable to equity holders of the parent		**2,876**	28,338
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**0.3 cent**	3.5 cents
Diluted		**N/A**	3.5 cents

CONSOLIDATED BALANCE SHEET

	Notes	31 December **2007** ***HK$'000***	 2006 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,472,657**	1,431,532
Prepaid land lease payments		**37,443**	31,617
Interest in an associate		**641**	558
Rental and utility deposits		**1,966**	2,035
Prepaid rental, long term portion		**1,069**	1,184
Available-for-sale financial assets		**2,051**	1,758
Other receivables		—	1,755
Deposits paid for items of property, plant and equipment		**35,926**	11,096
Deposit paid for land lease		**56,060**	—
Total non-current assets		**1,607,813**	1,481,535
CURRENT ASSETS			
Inventories		**276,044**	301,238
Trade receivables	*11*	**423,608**	401,244
Prepayments, deposits and other receivables		**58,133**	95,012
Pledged deposits		**943**	496
Cash and cash equivalents		**86,988**	111,639
Total current assets		**845,716**	909,629
CURRENT LIABILITIES			
Trade payables	*12*	**426,491**	381,329
Other payables and accruals		**87,906**	86,708
Interest-bearing bank loans		**322,342**	260,656
Shareholder's loan		—	30,043
Finance lease payables		**68,967**	75,752
Tax payable		**8,763**	12,223
Total current liabilities		**914,469**	846,711
NET CURRENT ASSETS/(LIABILITIES)		**(68,753)**	62,918
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,539,060**	1,544,453
NON-CURRENT LIABILITIES			
Other payable		**27,175**	—
Interest-bearing bank loans		**141,139**	306,350
Finance lease payables		**77,449**	100,998
Deferred tax liabilities		**24,680**	28,030
Total non-current liabilities		**270,443**	435,378
Net assets		**1,268,617**	1,109,075
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**100,000**	85,760
Reserves		**1,168,617**	1,023,315
Total equity		**1,268,617**	1,109,075

Notes:

1. BASIS OF PRESENTATION

Despite the fact that the Group's total assets exceeded its current liabilities by HK$1,539,060,000 as at 31 December 2007, the Group had consolidated net current liabilities of approximately HK$68,753,000 at that date and a profit before tax of approximately HK$1,383,000 for the year then ended compared with a profit before tax of approximately HK$21,321,000 in the prior year.

In order to improve the Group's financial position, immediate liquidity and cash flows and to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(a) the Group has been negotiating with a bank for additional banking facilities totalling RMB200 million. Subsequent to the balance sheet date on 11 March 2008, the bank has given a letter of intent in respect of the banking facilities, which shall be secured by certain land and buildings of the Group, with the maturity term of three years. The directors of the Company believe that a formal and binding facility letter will be entered into by the end of April 2008;

(b) the directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses; and

(c) the Group has been implementing various strategies to improve the Group's profitability.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, 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 2007. 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.

3. 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 interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
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

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements — Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)–Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company had only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on the financial statements.

(d) HK(IFRIC)–Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on the financial statements.

(e) HK(IFRIC)–Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available for sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

4. 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:

	2007	2006
	HK$'000	*HK$'000*
Asia, excluding the People's Republic of China (the "PRC") and Taiwan	**643,127**	711,556
PRC, including Hong Kong	**476,751**	456,821
Europe	**204,227**	224,838
Taiwan	**135,131**	190,498
North America	**155,598**	149,084
	1,614,834	1,732,797

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.

5. 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:

	2007 *HK$'000*	2006 *HK$'000*
Revenue		
Sale of goods	**1,614,834**	1,732,797
Other income		
Insurance compensation for business interruption	**67,273**	—
Tooling income	**4,319**	8,748
Bank interest income	**2,054**	1,373
Others	**1,904**	282
	75,550	10,403
Gains		
Foreign exchange differences, net	**—**	2,011
	75,550	12,414

6. PROFIT BEFORE TAX

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

	2007 *HK$'000*	2006 *HK$'000*
Cost of inventories sold	**1,432,130**	1,450,021
Depreciation	**171,671**	170,207
Minimum lease payments under operating leases on land and buildings	**10,168**	9,836
Auditors' remuneration	**1,980**	1,750
Employee benefits expense (excluding directors' remuneration):		
Wages and salaries	**192,176**	181,424
Pension scheme contributions	**12,487**	12,894
Less: Forfeited contributions	**(354)**	(60)
Net pension scheme contributions*	**12,133**	12,834
	204,309	194,258
Loss on disposal of items of property, plant and equipment	**106**	9,635
Provision for obsolete inventories	**4,066**	14,137
Impairment of an available-for-sale financial asset	**—**	93
Foreign exchange differences, net	**13,902**	(2,011)

* At 31 December 2007, there was no forfeited contribution available to reduce contributions to the retirement schemes in future years (2006: Nil).

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**32,403**	34,077
Shareholder's loan	**55**	1,341
Finance leases	**10,290**	11,209
Total interest expense on financial liabilities not at fair value through profit or loss	**42,748**	46,627
Less: Interest capitalised	**—**	(1,095)
	42,748	45,532

8. 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 (2006: Nil). No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax (2006: Nil). No corporate income tax was provided for a subsidiary of the Group in Mainland China, 至卓飛高線路板（曲江）有限公司 ("TPC Shaoguan"), 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.

	2007	2006
	HK$'000	*HK$'000*
Group:		
Current — Elsewhere		
Charge for the year	**2,874**	3,248
Overprovision in prior years	**(1,017)**	(1,000)
Deferred	**(3,350)**	(9,265)
Total tax credit for the year	**(1,493)**	(7,017)

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New CIT Law") was approved. The New CIT Law has become effective on 1 January 2008. The statutory CIT rate under the New CIT Law is 25% for both domestic enterprises and foreign-invested enterprises. Additionally, pursuant to the New CIT Law and tax circular Guofa [2007] No. 39, the Group is entitled to transitional treatment whereby TPC Shaoguan is permitted to continue enjoying tax exemption for the first two profitable years and a 50% reduction for the following three years. 2007 was the second year in which TPC Shaoguan enjoyed such tax exemption. Based on the principle set out in circular Caishui [2008] No. 21, the applicable tax rate for Topsearch Printed Circuits (Shenzhen) Ltd ("TPC Shenzhen") would be 18%, 20%, 22%, 24% and 25% for the five years ending 31 December 2012. Thereafter, the applicable tax rate of these PRC subsidiaries would be 25%. The current tax rate applied to TPC Shenzhen was 15% for 2007.

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 credit at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	2007		**2006**	
	HK$'000	***%***	*HK$'000*	*%*
Profit before tax	**1,383**		21,321	
Tax at the statutory tax rate of 15%	**207**	**15.0**	3,198	15.0
Adjustments in respect of current tax of previous periods	**(1,017)**	**(73.5)**	(1,000)	(4.7)
Net profit not subject to tax	**(3,496)**	**(252.8)**	(10,143)	(47.6)
Expenses not deductible for tax	**2,813**	**203.3**	928	4.4
Tax credit at the Group's effective rate	**(1,493)**	**(108.0)**	(7,017)	(32.9)

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2007.

10. 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$2,876,000 (2006: HK$28,338,000) and the weighted average number of ordinary shares of 896,223,562 (2006: 804,415,000) in issue during the year.

A diluted earnings per share amount for the year ended 31 December 2007 has not been disclosed as the warrants outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

For the year ended 31 December 2006, the calculation of the diluted earnings per share amount was based on the profit for the year attributable to ordinary equity holders of the parent of HK$28,338,000. The weighted average number of ordinary shares used in the calculation was the weighted average number of ordinary shares of 804,415,000 in issue during the year as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 1,789,000 assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary share.

11. 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 records. 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	
	2007	2006
	HK$'000	*HK$'000*
Current to 30 days	**388,533**	349,848
31 to 60 days	**24,218**	30,958
61 to 90 days	**4,446**	12,077
Over 90 days	**6,411**	8,361
	423,608	401,244

12. 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	
	2007	2006
	HK$'000	*HK$'000*
Current to 30 days	**252,610**	269,169
31 to 60 days	**79,119**	44,988
61 to 90 days	**58,617**	22,913
Over 90 days	**36,145**	44,259
	426,491	381,329

Included in the trade payables are trade payables of HK$383,000 (2006: HK$37,972,000) due to related companies which are repayable within 60 days, which represents similar credit terms to those offered by the related companies to their major customers.

The trade payables are non-interest-bearing and are normally settled on terms of 60 days to 120 days.

MODIFIED AUDITORS' OPINION

The auditors' report on the Group's financial statements for the year ended 31 December 2007 contains a modified auditors' opinion:

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements concerning the adoption of the going concern basis for the preparation of the financial statements, which explains that while the Group's total assets exceeded its current liabilities by HK$1,539,060,000 as at 31 December 2007, the Group's current liabilities exceeded its current assets at that date by HK$68,753,000, which indicates the existence of a material uncertainty in relation to the going concern of the Group and the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the year ended 31 December 2007, the Group achieved sales of HK$1,615 million, representing a decrease of 7% over that of last year. Operating profit before interest and tax was HK$44 million, representing a decrease of 34% as compared to HK$67 million in 2006. Profit attributable to shareholders amounted to HK$2.9 million, showing a decrease of 90% as compared to HK$28 million in 2006. Basic earnings per share was 0.3 Hong Kong cent, as compared to 3.5 Hong Kong cents in 2006.

Business Review

During the year under review, the Group's business operation was seriously interrupted by the fire incident in the Shekou plant in December 2006, resulting in the decrease in sales of high-layer count printed circuit boards ("PCBs") and production output and hence an increase in production overheads and expenses per unit. Being affected also by the continued trending up of raw materials prices and high interest expenses, the Group managed to attain breakeven and earned profit before tax of HK$1.4 million in 2007.

Although the Group had successfully obtained a total compensation of around HK$86 million from the insurance underwriter for both asset damage and loss of operating profit arising from the business interruption caused by the fire incident, the loss of production output and operating profit was not fully covered by the business interruption compensation.

Gross profit of HK$179 million had decreased by 34% over that of last year in 2007. By adding together the allocated amount for business interruption of about HK$67 million, the adjusted gross profit and gross margin became HK$246 million and 14.6% respectively, representing a drop of 0.9% as compared to the same period in 2006. The drop in adjusted gross margin from 15.5% to 14.6% was attributed to the continuing price increases on precious metals, production interruption and lowered utilization of production capacity. Operating profit before interest and tax margin decreased from 3.9% to 2.7% in 2007. With high level of interest expenses, net profit margin decreased further from 1.6% to 0.2% during the year under review.

Prospects

Although most of the production capacity in Shekou plant has been re-established and relocation of the Group's production capacity from Shekou plant to Shaoguan plant was carried out fairly successfully by the end of 2007, the economy recession in the U.S.A. at the beginning of 2008 has resulted in a rather sudden down-turn of order bookings, especially for demands of PCBs in the hard disk drive industry. Order bookings for the first few months of 2008 have been slow but all major hard disk drive customers are expecting a strong come back starting the second half of the year. This has become an agony for the Group because production capacity would see an imbalance throughout the year in the way that the first half of the year would be under-capacity and an over-capacity situation would be expected for the second half of the year. In the long run, the Group will spend more efforts in diluting the share of business obtained from the hard disk drive industry and replaced them by other industries such as communication, instrumentation and auto-motive industries so that the ups and downs of the hard disk drives industries would be properly compensated.

At the beginning of the second quarter of fiscal year 2008, certain major material prices started to rise. Together with the appreciation of RMB, overall material costs and overhead will increase further and thus gross margin would be further eroded. The Group will attempt to mitigate this effect in the long-run through the improvement of our product mix so that higher margin can be obtained to offset such impact.

Over the last two years, management of the Group has exerted great efforts in streamlining the efficiency and effectiveness of all individual managers, improving the yield rate of all processes through deployment of various up-to-date business systems and delivered results-oriented performance recognised by many customers. Although such progress was not made without experiencing certain hardship such as the fire occurred at the end of 2006 and the business slow-down at the beginning of year 2008 due to recession in the USA, we do believe the turn-around time for the Group is imminent once business being picked up again in the second half of the year, and of course in the long run when the Group is successful in diluting the current emphasis on the demand of one particular industry.

Financial Review

During the year under review, the Group's shipment volume maintained at around the same level of last year with the average sales price decreased by 7% due to a drop of higher layer count shipment mix. Material costs maintained at high level due to the continued trending up of major raw materials and production scraps resulting from production interruption. Production overheads decreased by 2% per square foot compared to that of last year. Overall, the gross margin as adjusted by the business interruption compensation was dropped from 15.5% in the last year to 14.6% in the year of 2007.

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 2007, the Group had total assets of HK$2,454 million (31 December 2006: HK$2,391 million) and interest-bearing borrowings of HK$610 million (31 December 2006: HK$774 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of 25% (31 December 2006: 32%).

The Group's net current liabilities of HK$69 million (31 December 2006: net current assets of HK$63 million) consisted of current assets of HK$846 million (31 December 2006: HK$910 million) and current liabilities of HK$915 million (31 December 2006: HK$847 million), representing a current ratio of 0.92 (31 December 2006: 1.07).

As at 31 December 2007, the Group's current assets consisted of HK$87 million (31 December 2006: HK$112 million) held as cash and cash equivalents, of which 28% was in HKD, 47% was in USD, 23% was in RMB and 2% in other currencies.

The Group's current assets also consisted of HK$424 million (31 December 2006: HK$401 million) trade receivables from customers. Debtors turnover days increased to 93 days (31 December 2006: 88 days).

As at 31 December 2007, the Group's inventories decreased to HK$276 million (31 December 2006: HK$301 million). Inventory turnover days was 73 days (31 December 2006: 72 days). Trade payables increased to HK$426 million from HK$381 million in 2006. Creditor turnover days was approximately 103 days (31 December 2006: 99 days).

Interest-bearing borrowings

As at 31 December 2007, the Group had interest-bearing borrowings as follows:

	31 December 2007 (Audited)	31 December 2006 (Audited)
	HK$'000	*HK$'000*
Amounts payable:		
Within one year	**391,309**	366,451
In the second year	**167,447**	278,445
In the third to fifth years, inclusive	**51,141**	128,903
	609,897	773,799
Less: Portion classified as current liabilities	**(391,309)**	(366,451)
Long term portion	**218,588**	407,348

Of the total interest-bearing borrowings, HKD denominated loans accounted for 83.5% (31 December 2006: 82%) and the 16.5% balance were USD denominated loans (31 December 2006: 18%) as at 31 December 2007. Almost all of the interest-bearing borrowings are charged with floating rates. The Group had maintained Hong Kong Dollar unexpired interest rate swap contract of HK$37 million (31 December 2006: HK$98 million) to hedge the HIBOR dominated loans. The Board does not recognize a significant seasonality of borrowing requirements.

One of the banking facilities granted to the Group has stipulated financial covenant of current ratio of not less than one. As at the balance sheet date, such covenant was breached by the Group, but since the outstanding loan under the banking facility was due for repayment within one year, no reclassification or adjustment was necessary.

Foreign Exchange Exposure

Sales of the Group's products are principally denominated in US dollars ("USD") and the purchases of materials and payments of operational expenses are mainly denominated in USD, HK dollars ("HKD") and Renminbi ("RMB"). Approximately 40% and 70% of the Group's purchases and expenses respectively are denominated in RMB. As the Group imported a substantial portion of its critical raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from RMB appreciation.

Currently, the Group has not entered into any financial instrument for hedging purpose. 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 2007, excluding the associate, the Group had approximately 7,244 employees (31 December 2006: 7,900). For the year ended 31 December 2007, total staff costs amounted to HK$212 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. As at 31 December 2007, 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

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 the legal counsel, are of the opinion that it is probable that the former customer will succeed in the claim but the amount of damages will be less than US$8 million. A provision for the damages of HK$7,800,000 (2006: Nil) has been made in the financial statements.

Capital commitments

As at 31 December 2007, the Group's capital commitments contracted but not provided for amounted to HK$48 million (31 December 2006: HK$81 million). All of these capital commitments were related to construction of factory buildings or acquisition of land and plant and machinery.

Other Commitments

As at 31 December 2007, the Group's capital contribution committed to two wholly-foreign-owned subsidiaries incorporated in the PRC amounted to HK$286 million (31 December 2006: HK$410 million), of which HK$154 million (31 December 2006: HK$278 million) represents an investment in a subsidiary in Tongliao, Inner Mongolia of the PRC and HK$132 million (31 December 2006: HK$132 million) represents an investment in a subsidiary in Shaoguan, Guangdong Province of the PRC, to be paid up by June 2009 and November 2011, respectively.

Post balance sheet event

On 11 March 2008, a letter of intent in respect of a banking facility of RMB200 million (approximately equivalent to HK$213 million) to be granted to the Group has been given by a bank in Mainland China. The banking facility shall be secured by certain land and buildings of the Group, with a maturity term of three years.

Closure of Register of Members

The register of Members of the Company will be closed from 4 June 2008 (Wednesday) to 6 June 2008 (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 3 June 2008 (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.

Code on Corporate Governance Practices (the "CG Code")

The Directors confirm that, for the financial year ended 31 December 2007, the Company has complied with the CG Code save for the deviation mentioned below:

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from the provision of A.2.1 of the CG Code, which provides that 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 will provide stronger leadership of the management for the Group and enable effective business planning. The Directors believe that it 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.

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 and the Own Code throughout the year ended 31 December 2007. Members of the senior management, who, due to their positions in the Company, are likely to be in possession of unpublished price sensitive information, have also complied with the provisions of the Model Code and the Own Code.

Audit Committee

The Company established an Audit Committee on 30 May 2002 with its own written terms of reference (adopted by the Board) in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The primary duties of the Audit Committee are 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 2007, 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 hereof, the members of the Audit Committee are Mr. Ng Kee Sin, Mr. Ng Kwok Ying, Alvin, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Xiang Dong.

The Board of Directors

As at the date of the publication of this annual results announcement, the Board consists of ten directors (three have left the Group during the year) with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. The detailed composition of the Board is as follows:

Name of Directors		**Position**
Executive Directors		
Mr. Cheok Ho Fung		Chairman and Chief Executive Officer
Mr. Liu Wai On	(appointed on 12 July 2007)	Director & Executive Committee Member
Mr. Kwok Chi Kwong, Danny	(appointed on 12 July 2007)	Director & Executive Committee Member
Mr. Tong Nelson Chi Wing	(appointed on 12 July 2007 and will resign on 30 April 2008)	Director & Executive Committee Member
Mr. Ting Sui Ping	(resigned on 6 November 2007)	Director & Executive Committee Member
Mr. Ho Siu Man	(resigned on 1 March 2007)	Director & Executive Committee Member
Non-Executive Directors		
Mr. Tang Yok Lam, Andy		Member of remuneration committee and nomination committee
Mr. Ng Kwok Ying, Alvin		Member of audit committee
Mr. Mok Cham Hung, Chadwick	(resigned on 24 September 2007)	

Name of Directors		**Position**
Independent Non-Executive Directors		
Mr. Leung Shu Kin, Alfred		Chairman of remuneration committee, member of audit committee and nomination committee
Mr. Wong Wing Kee		Member of audit committee and Chairman of nomination committee
Mr. Ng Kee Sin	(appointed on 20 March 2007)	Chairman of audit committee
Mr. Xiang Dong	(appointed on 12 July 2007)	Member of audit committee, nomination committee and remuneration committee

Publication of Annual Report on the website of the Stock Exchange

The 2007 annual 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 Board, I would like to extend our 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
Topsearch International (Holdings) Limited
Cheok Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 25 April 2008

As at the date of this announcement, the Board comprises Mr. Cheok Ho Fung, Mr. Liu Wai On, Mr. Tong Nelson Chi Wing and Mr. Kwok Chi Kwong, Danny being executive directors, Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin being non-executive directors, and Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee, Mr. Ng Kee Sin and Mr. Xiang Dong as independent non-executive directors.

* *for identification purposes only*