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 2008

The board of directors (the "Board" or "Directors") of Topsearch International (Holdings) Limited (the "Company") is pleased to announce the consolidated results and financial positions of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with comparative figures of 2007 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**1,558,810**	1,614,834
Cost of sales		**(1,442,597)**	(1,436,196)
Gross profit		**116,213**	178,638
Other income and gains	5	**11,040**	75,550
Selling and distribution costs		**(109,503)**	(109,815)
Administrative expenses		**(71,238)**	(78,083)
Other expenses		**(88,615)**	(22,159)
Finance costs	7	**(27,596)**	(42,748)
PROFIT/(LOSS) BEFORE TAX	6	**(169,699)**	1,383
Tax	8	**10,333**	1,493
PROFIT/(LOSS) FOR THE YEAR		**(159,366)**	2,876
Attributable to equity holders of the parent		**(159,366)**	2,876
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**(15.9 cents)**	0.3 cent
Diluted		**N/A**	N/A

* *for identification purposes only*

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,382,820**	1,472,657
Prepaid land lease payments		**39,548**	37,443
Interest in an associate		**558**	641
Rental and utility deposits		**647**	1,966
Prepaid rental, long term portion		**931**	1,069
Available-for-sale financial assets		**2,247**	2,051
Deposits paid for items of property, plant and equipment		**19,882**	35,926
Deposit paid for land lease		**59,882**	56,060
Deferred tax asset		**7,700**	—
Total non-current assets		**1,514,215**	1,607,813
CURRENT ASSETS			
Inventories		**235,301**	276,044
Trade receivables	*11*	**322,903**	423,608
Prepayments, deposits and other receivables		**39,383**	58,133
Pledged deposits		**155,235**	943
Cash and cash equivalents		**40,520**	86,988
Total current assets		**793,342**	845,716
CURRENT LIABILITIES			
Trade payables	*12*	**412,446**	426,491
Other payables and accruals		**79,889**	87,906
Interest-bearing bank loans		**500,580**	322,342
Finance lease payables		**26,615**	68,967
Tax payable		**9,306**	8,763
Total current liabilities		**1,028,836**	914,469
NET CURRENT LIABILITIES		**(235,494)**	(68,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,278,721**	1,539,060
NON-CURRENT LIABILITIES			
Other payable		**29,028**	27,175
Interest-bearing bank loans		—	141,139
Finance lease payables		**11,760**	77,449
Shareholder's loan		**47,545**	—
Deferred tax liabilities		**17,330**	24,680
Total non-current liabilities		**105,663**	270,443
Net assets		**1,173,058**	1,268,617
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**100,000**	100,000
Reserves		**1,073,058**	1,168,617
Total equity		**1,173,058**	1,268,617

Notes:

1. BASIS OF PRESENTATION

Despite the fact that the Group's total assets exceeded its current liabilities by HK$1,278,721,000 as at 31 December 2008, the Group had consolidated net current liabilities of approximately HK$235,494,000 at that date and a loss before tax of approximately HK$169,699,000 for the year then ended compared with a profit before tax of approximately HK$1,383,000 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 bank loans are short term in nature and revolving, the Group has been negotiating with certain banks in The People's Republic of China (the "PRC") for the possibility of revising the terms of the loans to longer term in nature;

(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 after taking into account the banking facilities available to the Group, 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

The final results have been reviewed by the audit committee of the Company.

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 (collectively referred to as the "Group") for the year ended 31 December 2008. 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 income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and basis of preparation adopted in the preparation of these final results are consistent with those used in the Group's audited financial statements for the year ended 31 December 2007, except that in the current year, the Group has adopted the following new interpretations and amendments to 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, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC) — Int 11 *HKFRS 2 — Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC) — Int 12 *Service Concession Arrangements*

HK(IFRIC) — Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC) — Int 14 *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC) — Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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:

	2008	2007
	HK$'000	*HK$'000*
Asia, excluding the PRC and Taiwan	**773,370**	643,127
PRC, including Hong Kong	**347,258**	476,751
Europe	**126,586**	204,227
Taiwan	**185,067**	135,131
North America	**126,529**	155,598
	1,558,810	1,614,834

As the Group's production facilities are all located in the PRC, no further geographical segment information on assets and a 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:

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,558,810**	1,614,834
Other income		
Insurance compensation for business interruption	**—**	67,273
Tooling income	**7,556**	4,319
Bank interest income	**1,436**	2,054
Others	**375**	1,904
	9,367	75,550
Gains		
Foreign exchange differences, net	**1,673**	—
	11,040	75,550

6. PROFIT/(LOSS) BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**1,440,587**	1,432,130
Depreciation	**181,918**	171,671
Minimum lease payments under operating leases on land and buildings	**7,547**	10,168
Auditors' remuneration	**1,950**	1,980
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**204,297**	192,176
Provision for termination pay	**29,808**	—
Pension scheme contributions	**9,378**	12,487
Less: Forfeited contributions	**(441)**	(354)
Net pension scheme contributions*	**8,937**	12,133
	243,042	204,309
Loss on disposal of items of property, plant and equipment	**515**	106
Provision for obsolete inventories	**2,010**	4,066
Impairment of trade receivables *(note 11)*	**7,119**	—
Revaluation deficit of buildings**	**16,600**	—
Impairment of property, plant and equipment**	**33,400**	—
Foreign exchange differences, net	**(1,673)**	13,902

* At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: Nil).

** Included as "Other expenses" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2008	2007
	HK\$'000	*HK\$'000*
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**21,087**	32,403
Finance leases	**5,950**	10,290
Shareholder's loan	**559**	55
Total interest expense on financial liabilities not at fair value through profit or loss	**27,596**	42,748

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 (2007: Nil). No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax (2007: Nil). 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.

	2008	2007
	HK\$'000	*HK\$'000*
Group:		
Current — Elsewhere		
Charge for the year	**4,117**	2,874
Overprovision in prior years	**—**	(1,017)
Deferred	**(14,450)**	(3,350)
Total tax credit for the year	**(10,333)**	(1,493)

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 became 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 the tax circular Guofa [2007] No. 39, the Group is entitled to transitional treatment whereby 至卓飛高線路板(曲江)有限公司 ("TPC Shaoguan") is permitted to continue enjoying tax exemption for the first two profitable years and a 50% reduction for the following three years. 2008 was the first year in which TPC Shaoguan enjoyed the 50% tax reduction. Based on the principle set out in the circular Caishui [2008] No. 21, the applicable tax rates for another subsidiary, Topsearch Printed Circuits (Shenzhen) Ltd. ("TPC Shenzhen") will be 20%, 22%, 24% and 25% for the four years ending 31 December 2012. Thereafter, the applicable tax rate of these PRC subsidiaries will be 25%.

A reconciliation of the tax expense/(credit) applicable to profit/(loss) 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			
	2008		2007	
	HK$'000	*%*	*HK$'000*	*%*
Profit/(Loss) before tax	**(169,699)**		1,383	
Tax at the statutory tax rate of 25% (2007: 15%)	**(42,425)**	**25.0**	207	15.0
Lower tax rate for specific provinces or enacted by local authority	**(5,324)**	**3.1**	—	—
Adjustments in respect of current tax of previous periods	—	—	(1,017)	(73.5)
Net profit not subject to tax	—	—	(3,496)	(252.8)
Net loss not deductible for tax	**4,926**	**(2.9)**	—	—
Expenses not deductible for tax	**4,000**	**(2.3)**	2,813	203.3
Tax losses not recognised	**28,490**	**(16.8)**	—	—
Tax credit at the Group's effective rate	**(10,333)**	**6.1**	(1,493)	(108.0)

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2008 (2007: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$159,366,000 (2007: profit of HK$2,876,000) and the number of ordinary shares of 1,000,000,000 (2007: weighted average of 896,223,562) in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed, as the warrants outstanding during these years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

11. TRADE RECEIVABLES

	Group 2008 HK$'000	2007 HK$'000
Trade receivables	**330,022**	423,608
Impairment	**(7,119)**	—
	322,903	423,608

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 2008 HK$'000	2007 HK$'000
Current to 30 days	**287,559**	388,533
31 to 60 days	**31,603**	24,218
61 to 90 days	**3,166**	4,446
Over 90 days	**7,694**	6,411
	330,022	423,608

The movements in provision for impairment of trade receivables are as follows:

	Group 2008 HK$'000	2007 HK$'000
At 1 January	**—**	—
Impairment loss recognised *(note 6)*	**(7,119)**	—
At 31 December	**(7,119)**	—

All of the above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties or in default or delinquency in principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**212,796**	306,272
Less than 1 month past due	**74,763**	82,261
1 to 3 months past due	**34,769**	28,664
Over 3 months	**575**	6,411
	322,903	423,608

Receivables that are neither past due nor impaired relate to a large number of diversified customers for which there was no recent history of default.

Receivables that are past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

A subsidiary has pledged its trade receivables of HK$330,022,000 (2007: Nil) to secured the bank loans granted to the Group.

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	
	2008	2007
	HK$'000	*HK$'000*
Current to 30 days	**226,222**	252,610
31 to 60 days	**101,532**	79,119
61 to 90 days	**30,042**	58,617
Over 90 days	**54,650**	36,145
	412,446	426,491

Included in the trade payables are trade payables of HK$94,000 (2007: HK$383,000) 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 to 120 days.

MODIFIED AUDITORS' OPINION

The auditors' report on the Group's financial statements for the year ended 31 December 2008 contains a modified auditors' opinion:

Without qualifying our opinion, we draw attention to "Basis of presentation" note 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$1,278,721,000 as at 31 December 2008, the Group's current liabilities exceeded its current assets at that date by HK$235,494,000 and incurred a loss before tax of HK$169,699,000 for the year ended, which indicate 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 2008, the Group achieved sales of HK$1,559 million, representing a decrease of 3.5% over that of last year. Operating loss before interest and tax was HK$142 million, as compared to operating profit before interest and tax of HK$44 million in 2007. Loss attributable to shareholders amounted to HK$159 million, as compared to profit of HK$3 million in 2007. Basic loss per share was 15.9 Hong Kong cents, as compared to an earning per share of 0.3 Hong Kong cent in 2007.

Business Review

As disclosed in the annual report of the Company for the year ended 31 December 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 printed circuits boards ("PCBs") in the hard disk drive industry. The resulting business slow-down led to price erosion of low-layer count PCBs and production under-capacity.

As a result, the revenue of the Group had not picked up from the corresponding period of 2007 that was negatively impacted by the business interruption caused by the fire incident occurred in December 2006 in Shekou plant. Revenue dropped 3.5% from HK$1,615 million in 2007 to HK$1,559 million in 2008. Together with the appreciation of Renminbi, continuing increase of raw materials prices and production under-capacity led to increase in average production overheads and expenses. Gross profit of HK$116 million had decreased 35% over that of 2007. Gross profit margin decreased from 11.1% in 2007 to 7.5% in 2008.

In 2008, after reviewing the business environment as well as the Group's objectives and past performance, a revaluation deficit for buildings of HK$16.6 million (2007: Nil) and an impairment loss of HK$33.4 million (2007: Nil) for plant and machinery were charged to the income statement. In addition, the Group has made a provision of approximately HK$29.8 million in the accounts which can be utilized for offsetting the relevant statutory compensation payment for the employees in the PRC upon involuntary termination of employment contracts according to the requirements of new labour laws and regulations effective from 1 January 2008. The unapplied provision balance as at 31 December 2008 was about HK$20.8 million.

To improve the Group's financial position, immediate liquidity and cash flow, a controlling shareholder of the Company advanced HK$43 million and RMB4 million (approximately HK$4.5 million) to the Company for general working capital requirements during the year. The Group has also arranged additional banking facilities to enable the Group to meet its financial obligations as and when they fall due.

As disclosed in the annual report of the Company for the year ended 31 December 2007, the construction of the Tongliao plant was substantially completed. Once the relocation of production capacity from the Shekou plant to the Shaoguan plant is substantially completed, the Group will adopt a prudent approach to schedule the mass-production of the Tongliao plant. Such prudent approach will allow the Group to focus on the operations of the Shekou plant and the Shaoguan plant so as to improve the financial performance of the Group. While there is no solid plan as to when the mass production of PCBs in the Tongliao plant will commence, the Group will start trial run of production and maintain a small scale of operation of the Tongliao plant. With the relatively small scale of production of this new plant, it is not expected that significant profit contribution and working capital requirement will be made by the Group to the Tongliao plant in the year of 2009.

The Group shall continue to allocate resources to upgrade its technical capabilities and enhance its marketing efforts to expand market coverage and further improve product mix.

Prospects

As described in our 2008 Interim Report, the business environment surrounding most of the low-end customers of the Group was poor in the first six months of 2008, the Group has experienced a nice upturn of business for the 4 months from July to October 2008, averaging a 20+% per month. With the impact of the global financial tsunami starting from November 2008, sales have quickly and mercilessly reduced to only 60% of the above-mentioned 4 months' monthly average during the month of December 2008. Although sales in January 2009 were more or less similar to that in December 2008, the loading of orders had hit a record low in the history of the Group for the month of January 2009. Sales remained more or less the same in January 2009 when compared to December 2008 because many customers were still consuming our products from their hubs, but either reducing or stopping to place further orders during the month.

Business has slowly picked up since February 2009 and currently the Group is having an average of 70+% loading versus our production capacity. Barring unforeseen circumstances again, we are expecting an average of 80% loading of our capacity in the immediate future.

In order to conserve our cash, the Group has suspended almost all CAPEX in last six months of 2008 and continuous relocation of capacity from Shekou to Shaoguan has also come to a halt especially on those processes which would require substantial CAPEX to accomplish such relocation. Despite this action, the management of the Group would consider the relocation of the capacity in order to achieve cost reduction to be successful. Shekou plant is now only producing roughly 10% of the Group's overall capacity. Comparing the figures in two years ago, payroll of Shekou staff has been reduced by 40% and payroll of Shekou workers has been reduced by almost 70%. If the market would turn around any time, any increase of labour costs would only happen in Shaoguan plant because the labour rate there would be much cheaper. The recent support of local government to manufacturing concerns in the southern coastal areas in China has also allowed the Group in the last few months to carry out certain personnel changes. Without such support, these changes would not be possible unless incurring a very costly financial impact and possibly series of distasteful labour lawsuits.

All in all, although the Group has been hard hit by year 2008's soft demand in our products earlier in the year and then badly at the end of the year due to the global financial tsunami, which will continue as year 2009 starts, the silver lining lies in the better gross margin that we have experienced recently because of materials price reduction. This is further enhanced by the many overheads which we have also been able to reduce because of better business environment in the southern coastal areas of China. Local governments are more friendly to negotiate and accept proposals to support what we have asked for, and accordingly more management time can be focused in getting more business instead. Although the Group has sustained a loss in the first quarter of 2009, the fundamentals of doing business in fact have been improved as aforementioned and we believe that our continuous efforts to sustain our gross margin and control our overheads will have its payback in the near future.

Financial Review

During the year under review, the Group's turnover decreased by 3.5%. Material costs maintained at high level due to the continued trending up of major raw materials. Production overheads increased by 11% per square foot compared to that of last year. Overall, the gross margin was dropped from 11.1% in the last year to 7.5% in the year of 2008.

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 2008, the Group had total equity of HK$1,173 million (31 December 2007: HK$1,269 million), and net debt (trade payables, other payables and accruals, interest-bearing borrowings, less cash and cash equivalents) of HK$1,067 million (31 December 2007: HK$1,064 million), representing a gearing ratio, defined as net debt over total capital plus net debt, of 48% (31 December 2007: 46%).

The Group's net current liabilities of HK$235 million (31 December 2007: HK$69 million) consisted of current assets of HK$793 million (31 December 2007: HK$846 million) and current liabilities of HK$1,028 million (31 December 2007: HK$915 million), representing a current ratio of 0.77 (31 December 2007: 0.92).

As at 31 December 2008, the Group's current assets consisted of HK$41 million (31 December 2007: HK$87 million) held as cash and cash equivalents, of which 6% was in HKD, 46% was in USD, 43% was in RMB and 5% in other currencies.

The Group's current assets also consisted of HK$323 million (31 December 2007: HK$424 million) trade receivables from customers. Debtors turnover days decreased to 87 days (31 December 2007: 93 days).

As at 31 December 2008, the Group's inventories decreased to HK$235 million (31 December 2007: HK$276 million). Inventory turnover days was 65 days (31 December 2007: 73 days). Trade payables decreased to HK$412 million from HK$426 million in 2007. Creditor turnover days was approximately 106 days (31 December 2007: 103 days).

Interest-bearing Borrowings

As at 31 December 2008, the Group had the interest-bearing borrowings as follows:

	31 December 2008	31 December 2007
	HK$'000	*HK$'000*
Amounts payable:		
Within one year	**527,195**	391,309
In the second year	**57,509**	167,447
In the third to fifth years, inclusive	**1,796**	51,141
	586,500	609,897
Less: Portion classified as current liabilities	**(527,195)**	(391,309)
Long term portion	**59,305**	218,588

Of the total interest-bearing borrowings, HKD denominated loans accounted for 60% (31 December 2007: 83.5%) and the 40% balance was RMB denominated loans (31 December 2007: nil) as at 31 December 2008. As at 31 December 2007, 16.5% of the loans were denominated in USD. Almost all of the interest-bearing borrowings are charged with floating rates. The Board does not recognize a significant seasonality of borrowing requirements.

Certain of the banking facilities granted to the Group have stipulated financial covenants of interest cover of not less than four and net tangible worth of not less than HK$1,200,000,000. As at 31 December 2008, such covenants were breached by the Group but since the outstanding loans under these banking facilities at the balance sheet date of HK$183,728,000 were due for repayment within one year, no reclassification or adjustment was necessary. Management is in the process of finalising the waivers.

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 48% and 73% 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 2008, excluding the associate, the Group had approximately 5,881 employees (31 December 2007: 7,244). For the year ended 31 December 2008, total staff costs amounted to HK$243 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 2008, 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

During the year, a supplier of the Group filed a claim in the PRC against TPC Shaoguan, TPC Shenzhen and Topsearch Printed Circuits (HK) Limited for outstanding purchase payables totalling US$1.9 million (approximately HK$15 million). The court of Shaoguan has issued an order that the shares of TPC Shaoguan cannot be transferred or pledged from 31 July 2008 to 30 April 2009.

In the opinion of the Directors, the amount is in dispute as the supplier has delivered faulty products to the Group. The Group has made accrual for the purchases in the amount of HK$12 million in the balance sheet. After consulting with the Group's legal counsel, it is considered not probable that the supplier will succeed in the claim. Thus, no additional provision has been made in the financial statements.

Capital Commitments

As at 31 December 2008, the Group's capital commitments contracted but not provided for amounted to HK$38 million (31 December 2007: HK$48 million). All of these capital commitments were related to construction of factory buildings and acquisition of land and plant and machinery.

Other Commitments

At 31 December 2008, the Group's capital contribution committed to two wholly-owned subsidiaries established in the PRC amounted to HK$228 million (31 December 2007: HK$286 million), of which HK$107 million (31 December 2007: HK$154 million) represents an investment in a subsidiary in Tongliao, Inner Mongolia of the PRC and HK$121 million (31 December 2007: 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.

Closure of Register of Members

The register of Members of the Company will be closed from 11 June 2009 (Thursday) to 15 June 2009 (Monday), 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 Branch Share Registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 10 June 2009 (Wednesday).

Purchase, Redemption or Sales of Listed Securities of the Company

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 2008, 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 2008. 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's Audit Committee is composed of four Independent Non-Executive Directors and one Non-Executive Director, with the Chairman having appropriate professional qualifications and experience in financial matters as required by the Listing Rules. The Audit Committee discharges its responsibilities as follows:

1. reviewing the interim and annual results of the Company;

2. reviewing and monitoring the reporting, accounting, financial, risk management and internal control aspects of the Company;

3. approving the appointment of the Company's external auditor and reviewing and discussing their audit plan and scope, and also reports and issues raised by them;

4. reporting directly to the Board of Directors; and

5. ensuring full access by the Corporate Governance Department of any concerns that may have arisen during the course of the department's work.

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.

During the year ended 31 December 2008, three Audit Committee meetings were held to review the financial results and reports for the year ended 31 December 2007 and for the six months ended 30 June 2008, risk management and internal control processes, related party transactions, roles and responsibilities as well as works performed by the Corporate Governance Department, and the re-election of the external auditors.

THE BOARD OF DIRECTORS

As at the date of the publication of this final results announcement, the Board consists of nine Directors (one has 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 of Directors is as follows:

Name of Directors		Position
Executive Directors		
Mr. Cheok Ho Fung		Chairman and Chief Executive Officer
Mr. Liu Wai On		Director and Executive Committee Member
Mr. Kwok Chi Kwong, Danny		Director and Executive Committee Member
Mr. Tong Nelson Chi Wing	(Resigned on 30 April 2008)	Director and 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
Independent Non-Executive Directors		
Mr. Leung Shu Kin, Alfred		Chairman of remuneration committee, member of audit committee and nomination committee
Mr. Wong Wing Kee		Chairman of nomination committee and member of audit committee
Mr. Ng Kee Sin		Chairman of audit committee
Mr. Xiang Dong		Member of audit committee, nomination committee and remuneration committee

Publication of Annual Report on the website of the Stock Exchange

The 2008 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, 22 April, 2009

As at the date of this announcement, the Board comprises Mr. Cheok Ho Fung, Mr. Liu Wai On, and Mr. Kwok Chi Kwong, Danny being executive directors, Mr. Tang Yok Lam, Andy, 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.