



至卓 T O P S E A R C H

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 2323)

INTERIM REPORT

2009

* For identification purposes only

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Chairman's Statement

FINANCIAL PERFORMANCE

Compared to the financial results for the same period in 2008, the business operation of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 (the "Period") was adversely impacted by the slow-down of the global economy. As a result, the Group's loss before tax for the Period was approximately HK\$34.5 million which had been minimized as compared to loss before tax of approximately HK\$55.3 million in the same period of 2008. Loss per share was 3.89 Hong Kong cents for the Period, as compared to loss per share of 5.29 Hong Kong cents in the same period of 2008.

DIVIDENDS

The board of directors (the "Board" or "Directors") do not recommend the payment of any interim dividend for the six months ended 30 June 2009.

BUSINESS REVIEW

The global financial tsunami started from November 2008 continues to affect our business during the Period. The resulting business slow-down led to price erosion of low-layer count printed circuit boards (the "PCBs") and production under-capacity. The Group's turnover for the Period decreased about 23% when compared with the same period of last year. Due to the drop of material costs plus the stringent cost control measures taken by the Group during the Period, the gross profit margin of the Group improved from 5.6% of last year to 10.6% of this year. As a whole, the Group recorded a loss of approximately HK\$39 million for the Period (2008: HK\$53 million).

During the Period, our production was concentrated in the Shaoguan plant whereas production in the Shekou plant was gradually scaled down. In addition, the production in our Tongliao plant had not yet been commenced as the Group is adopting a fairly prudent approach for planning the production strategy. Main focus was placed on the operations of the Shaoguan plant and Shekou plant in order to better utilize the existing production capacity. However, the Group is just attaining an average of 70+% loading versus the normal total production capacity.

In view of the uncertain economic outlook, the Group had already suspended all significant capital expenditure ("CAPEX") in the Period. The Group also exercised tighter control over the credit granted to the customers in order to avoid bad debts risks. For the Period, the accounts receivable collection period was about 76 days (2008: 80.5 days). To further improve the liquidity, the Group is negotiating with banks in the PRC for additional banking facilities so as to enable the Group to meet its financial obligations as and when they fall due.

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

PROSPECTS

The Group has seen its business slowly picking up after having the worst record during the month of January 2009 but the expected 80% loading of our capacity had not been realised although the Group's general business had been improved. Apart from this, the Group's performance in the second quarter of the year 2009 has been greatly improved and most of the losses in the Period shown was in fact registered in the first quarter of the year.

The demand of PCBs in the United States of America (the "U.S.A") and Europe remained soft during the first six months of the year 2009 and extended further in July and August for the year 2009. Nevertheless, there has been some sign of regained strength starting in September of the year 2009, possibly due to the improved market conditions in these areas and the traditional strong seasonal demand in the last quarter of every year.

The Group has continually achieved its goal of conserving its cash by suspending all CAPEX during the last two quarters of this year and will attempt to observe the same for the rest of the year. In the meantime, the Group is also under the process in replacing its financing facilities with local Chinese banks which are more aggressive in terms, conditions and pricing. We would expect such replacement to be finalised in the last quarter of this year.

With improved gross margin due to better control in order bookings and materials cost reduced, and better management in our overheads and expenses, the Group is looking forward to have a better performance in the second half of this year, assuming no further impairment in our assets need to be provided if our order loadings are becoming stable.

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.

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 10 September 2009

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally finances operations through a combination of internally generated cash flows, shareholders' equity and borrowings from banks.

As at 30 June 2009, the Group had total assets of HK\$1,996 million (31 December 2008: HK\$2,308 million) and interest-bearing borrowings of HK\$453 million (31 December 2008: HK\$587 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of 22.7% (31 December 2008: 25.4%).

The Group's net current liabilities of HK\$247 million (31 December 2008: HK\$235 million) consisted of current assets of HK\$566 million (31 December 2008: HK\$793 million) and current liabilities of HK\$813 million (31 December 2008: HK\$1,029 million), representing a current ratio of 0.70 (31 December 2008: 0.77).

As at 30 June 2009, the Group's current assets consisted of HK\$84 million (31 December 2008: HK\$196 million) held as cash and cash equivalents, of which 4% was in Hong Kong dollars ("HKD"), 45% was in United States dollars ("USD"), 47% was in Renminbi ("RMB") and 4% in other currencies.

INTEREST-BEARING BORROWINGS

As at 30 June 2009, the Group had the interest-bearing borrowings as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Amounts payable:		
Within one year or on demand	450,729	527,195
In the second year	2,361	57,509
In the third to fifth years, inclusive	—	1,796
	453,090	586,500
<i>Less: Portion classified as current liabilities</i>	450,729	(527,195)
Long term portion	2,361	59,305

Management Discussion and Analysis

INTEREST-BEARING BORROWINGS (continued)

Of the total interest-bearing borrowings, HKD denominated loans accounted for 40% (31 December 2008: 60%) and the remaining 60% (31 December 2008: 40%) balance were RMB denominated loans as at 30 June 2009. Almost all of the interest-bearing borrowings are charged with floating rates. The Board does not recognise a significant seasonality of borrowing requirements.

One of the banking facilities granted to the Group has stipulated various covenants within the original facility agreement including interest cover ratio of not less than 4 and tangible net worth not to be less than HK\$1.2 billion. As at the balance sheet date of 30 June 2009, the covenant for the tangible net worth was breached by the Group and the waiver of which has been granted unanimously by the lending banks.

Subsequent to the balance sheet date as at 30 June 2009, on 1 September 2009, the Group has been granted new revolving banking facilities of totaling RMB290 million (approximately equivalent to HK\$330 million) from China Construction Bank (Shenzhen Branch) for a term of 12 months which will be utilised to finance the general working capital requirements of the Group. The banking facilities are secured by certain land and buildings of the Group in Shenzhen and Shaoguan.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the first half of 2009.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 47% of the Group's purchases and 74% of the Group's expenses are denominated in RMB. As the Group imported a substantial portion of its major 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 instruments 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.

Management Discussion and Analysis

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2009, excluding the associate, the Group had approximately 6,060 employees (31 December 2008: 5,881). For the six months ended 30 June 2009, total staff costs amounted to HK\$89 million (30 June 2008: HK\$106 million). Under the Group's remuneration policy, employees are rewarded in line with the market rate and in compliance with statutory requirements of all jurisdictions where it operates.

CONTINGENT LIABILITIES

As mentioned in the 2008 Annual Report, a supplier of the Group had filed a claim in the PRC against 至卓飛高線路板（曲江）有限公司 ("TPC Shaoguan"), Topsearch Printed Circuits (Shenzhen) Ltd. ("TPC Shenzhen") and Topsearch Printed Circuits (HK) Limited for outstanding purchase payables totaling US\$1.9 million (approximately HK\$15 million). The court of Shaoguan in PRC has issued an order that the shares of TPC Shaoguan cannot be transferred or pledged for the period from 31 July 2008 to 30 April 2009. The case has now been pending subject to the decision ruling by China International Economic and Trade Arbitration Commission (South China Sub-Commission) in PRC.

In the opinion of the Directors, the claim is in disputes since 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 as at 30 June 2009. After consulting with the Group's legal counsel, it is considered that the supplier will not probably succeed in the claim. Thus, no additional provision has been made in these financial statements.

CAPITAL COMMITMENTS

As at 30 June 2009, the Group's capital commitments contracted but not provided for amounted to HK\$35 million (31 December 2008: HK\$38 million). All of these capital commitments were related to construction of factory buildings or acquisition of land and plant and machinery.

DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (30 June 2008: Nil).

Disclosure of additional information

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 20 to the interim financial statements, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted any time during the period or up to the date of the interim financial statements.

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 30 June 2009, the interests and short positions of the directors in the shares, underlying share capital and underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) The Company

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	Note	Deemed	Long position	432,000,000	43.20%
Total				510,250,000	51.03%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

(b) Associated Corporation — Inni International Inc.

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct		12,250	49.00%
	Note	Deemed		12,750	51.00%
Total				25,000	100.00%

Note: These shares are jointly owned by Mr. Cheok Ho Fung and his wife.

Disclosure of additional information

DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES (continued)

1. Directors' interests in Shares (continued)

(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director	Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheok Ho Fung	Direct	2,000,100	10.00%
	<i>Note</i> Deemed	17,999,900	90.00%
Total		20,000,000	100.00%

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife.

2. Directors' Interests in Share Options of the Company

As at 30 June 2009, none of the Company's directors held share options of the Company.

Saved as discussed above, as at 30 June 2009, none of the directors or chief executives had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Disclosure of additional information

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

Long positions in Shares:

As at 30 June 2009, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Inni International Inc.		Direct	Long position	432,000,000	43.20%
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	(i)	Deemed	Long position	432,000,000	43.20%
		Total		510,250,000	51.03%
Mrs. Cheok Chu Wai Min	(ii)	Deemed	Long position	510,250,000	51.03%
Hallgain Management Limited	(iii)	Deemed	Long position	206,992,000	20.69%
Kingboard Chemical Holdings Limited		Direct	Long position	2,766,000	0.27%
	(iii)	Deemed	Long position	204,226,000	20.42%
		Total		206,992,000	20.69%
Jamplan (BVI) Limited	(iii)	Deemed	Long position	204,226,000	20.42%
Kingboard Investments Limited		Direct	Long position	204,024,000	20.40%
Majestic Wealth Limited		Direct	Long position	93,400,000	9.34%

Disclosure of additional information

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in Shares: (continued)

Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 204,024,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 30.97% equity shares in Kingboard Chemical Holdings Limited.

Saved as disclosed above, as at 30 June 2009, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' Interest in Shares and Underlying Shares" above had registered any interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. Eligible participants of the Scheme include:

- (i) any employee (whether full-time or part-time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;

Disclosure of additional information

SHARE OPTION SCHEME (continued)

- (v) any person or entity that provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vii) for the purposes of the Scheme, the share options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any share options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of share options under the Scheme.

The basis of eligibility of any of the above class of participants to the grant of any share options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The Scheme was conditionally adopted and approved by the shareholders of the Company on 30 May 2002 and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

There were no shares options granted during the Period. As at the balance sheet date of 30 June 2009, no share options were outstanding under the Scheme.

MATERIAL CHANGES

Except for disclosed in the post balance sheet events, there have been no material change in respect of such matters since the publication of the latest 2008 annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

As disclosed in the sub-section headed "INTEREST BEARING BORROWINGS" under the section headed "Management discussion and analysis" of this interim report, certain of the covenants in relation to the Banking Facilities were breached by the Group as at and subsequent to the balance sheet date of 30 June 2009. For further details of the aforesaid breaches, please refer to page 5 of this interim report.

Disclosure of additional information

CORPORATE GOVERNANCE REPORT

Code on Corporate Governance Practices

The Board and the senior management of the Company are of the opinion that during the first half year of 2009, the Company has complied with the Code on Corporate Governance Practices (the "CG 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") except for the deviation as stated in the section headed "Compliance with CG Code" below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code to better enhance shareholders' value and proper management of corporate assets in the following ways:

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;
2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and
3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

Compliance with CG Code

The Directors confirm that, for the six months ended 30 June 2009, the Company has complied with the CG Code save for the deviation mentioned below.

Mr. Cheuk Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from code provision 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 for managing the Group and will 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 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.

Disclosure of additional information

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 of the Model Code set out in Appendix 10 to the Listing Rules.

After having made specific enquiry with all Directors by the Company, all Directors have confirmed that they have complied with the Model Code and the Own Code throughout the six months ended 30 June 2009. Members of the senior management, who, due to their position in the Company, are likely to be in possession of unpublished price sensitive information, have also confirmed that they have complied with the provisions of the Model Code and the Own Code.

THE BOARD OF DIRECTORS

As at the date of this interim report, the Board consists of eight Directors (one Director has resigned during the Period) with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. Their brief biographical particulars are set out in the 2008 annual report. The detailed composition of the Board in the Period and as at the date of this interim report is as follows:

Name of Directors

Position

Executive Directors

Mr. Cheok Ho Fung	Chairman and Chief Executive Officer
Mr. Liu Wai On	Director & Executive Committee Member
Mr. Kwok Chi Kwong, Danny (Resigned on 16 June 2009)	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

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

Disclosure of additional information

REVIEW OF INTERIM FINANCIAL STATEMENTS

The accounting information given in this interim report has not been audited by the external auditors of the Company. The unaudited condensed consolidated interim financial statements for the Period has been reviewed by the Company's Audit Committee.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2009 Interim Report of the Company containing all the information required by the Listing Rules has been published on the websites of the Company (www.topsearch.com.hk) and the Stock Exchange (www.hkex.com.hk).

Unaudited Condensed Consolidated Income Statement

	Notes	Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue	4	577,520	748,314
Cost of sales		(516,360)	(706,674)
Gross profit		61,160	41,640
Other income	4	5,222	7,909
Selling and distribution costs		(40,774)	(55,405)
Administrative expenses		(42,634)	(38,131)
Other expenses		(3,519)	(297)
Finance costs	6	(13,981)	(10,996)
Loss before tax	5	(34,526)	(55,280)
Tax	7	(4,353)	2,400
Loss for the period		(38,879)	(52,880)
Attributable to equity holders of the Company		(38,879)	(52,880)
Loss per share attributable to equity holders of the Company			
— Basic	8	(3.89) cents	(5.29) cents
— Diluted		N/A	N/A
Dividend	9	Nil	Nil

Unaudited Condensed Consolidated Balance Sheet

		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		1,303,100	1,382,820
Prepaid land lease payments		40,415	39,548
Interest in an associate		488	558
Rental and utility deposits		600	647
Prepaid rental, long term portion		826	931
Available-for-sale financial assets		2,234	2,247
Deferred tax asset		7,700	7,700
Deposits paid for items of property, plant and equipment		15,112	19,882
Deposit paid for land lease		59,882	59,882
Total non-current assets		1,430,357	1,514,215
CURRENT ASSETS			
Inventories		212,439	235,301
Trade receivables	10	234,207	322,903
Prepayments, deposits and other receivables		34,300	39,383
Pledged deposits	11	43,067	155,235
Cash and cash equivalents	11	41,341	40,520
Total current assets		565,354	793,342
CURRENT LIABILITIES			
Trade payables	12	267,026	412,446
Other payables and accruals		71,266	79,889
Interest-bearing bank loans	13	384,790	500,580
Finance lease payables	15	18,394	26,615
Advance from a shareholder	14	60,484	—
Tax payable		10,840	9,306
Total current liabilities		812,800	1,028,836
NET CURRENT LIABILITIES		(247,446)	(235,494)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,182,911	1,278,721

Unaudited Condensed Consolidated Balance Sheet

	<i>Notes</i>	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payable		29,028	29,028
Shareholder's loan		—	47,545
Finance lease payables	15	2,361	11,760
Deferred tax liabilities		17,330	17,330
Total non-current liabilities		48,719	105,663
Net assets		1,134,192	1,173,058
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	16	100,000	100,000
Reserves		1,034,192	1,073,058
Total equity		1,134,192	1,173,058

Unaudited Condensed Consolidated Statement of Comprehensive Income

	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(38,879)	(52,880)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
Exchange difference on translation of financial statements of foreign entities	13	75,899
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(38,866)	23,019
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	(38,866)	23,019

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 1 January 2009	100,000	360,056	19,000	18,351	182,235	30,008	463,408	1,173,058
Total comprehensive income for the period	—	—	—	—	13	—	(38,879)	(38,866)
As at 30 June 2009	100,000	360,056*	19,000*	18,351*	182,248*	30,008*	424,529*	1,134,192
As at 1 January 2008	100,000	360,056	19,000	28,351	108,428	26,048	626,734	1,268,617
Total comprehensive income for the period	—	—	—	—	75,899	—	(52,880)	23,019
As at 30 June 2008	100,000	360,056*	19,000*	28,351*	184,327*	26,048*	573,854*	1,291,636

* These reserve accounts comprise the reserves of HK\$1,034,192,000 (2008: HK\$1,191,636,000) in the balance sheet.

Unaudited Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		23,729	162,928
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(624)	(57,624)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(134,452)	(152,192)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(111,347)	(46,888)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		195,755	87,931
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		84,408	41,043
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	11	41,341	35,571
Pledged bank balances for bank loans	11	43,067	—
Time deposits with original maturity of less than three months when acquired, pledged as security for declaration charges		—	1,188
Non-pledged time deposits with original maturity of less than three months when acquired	11	—	4,284
		84,408	41,043

1. CORPORATE INFORMATION

Topsearch International (Holdings) Limited is a limited liability company incorporated in Bermuda on 12 May 1998 under the Companies Act 1981 (as amended) of Bermuda.

The principal place of business of the Company is located at Room 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

During the Period, the Group was involved in the manufacture and sale of printed circuit boards.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Inni International Inc. ("Inni"), which is incorporated in Liberia.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and in compliance with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated interim financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

Notes to Condensed Consolidated Financial Statements

30 June 2009

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

The condensed consolidated interim financial statements have been prepared under the historical cost convention. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except as described below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008
HKFRSs (Amendments)	Improvements to HKFRSs April 2009
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions & Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Improving Disclosures About Financial Instruments
HKFRS 8	Operating Segments

The adoption of the new HKFRSs, except for HKAS 1 (Revised) as described below, had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

HKAS 1 (Revised) introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Notes to Condensed Consolidated Financial Statements

30 June 2009

3. 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:

	For the six months ended	
	30 June 2009	30 June 2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Asia, excluding the People's Republic of China (the "PRC"), Hong Kong and Taiwan	327,547	379,910
PRC, including Hong Kong	134,278	145,523
Taiwan	42,254	89,452
North America	27,683	67,149
Europe	45,758	66,280
	577,520	748,314

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

Notes to Condensed Consolidated Financial Statements

30 June 2009

4. REVENUE AND OTHER INCOME

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:

	For the six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Revenue		
Sales of goods	577,520	748,314
Other income		
Tooling income	1,084	2,162
Sample income	1,529	1,056
Bank interest income	506	354
Others	2,103	53
	5,222	3,625
Gains		
Foreign exchanges differences, net	—	4,284
	5,222	7,909

Notes to Condensed Consolidated Financial Statements

30 June 2009

5. LOSS BEFORE TAX

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

	For the six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Cost of inventories sold	516,360	706,674
Depreciation	84,539	83,110
Recognition of prepaid land lease payments	379	433
Foreign exchange differences, net	2,708	(4,284)
Bank interest income	(506)	(354)

6. FINANCE COSTS

	For the six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	13,600	7,453
Advance from a shareholder	56	—
Finance leases	325	3,543
Total interest expense on financial liabilities not at fair value through profit or loss	13,981	10,996

Notes to Condensed Consolidated Financial Statements

30 June 2009

7. TAX

	For the six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Current — Elsewhere		
Charge for the year	2,685	—
Under-provision in prior year	1,668	—
Deferred tax	—	(2,400)
Total tax charge/(credit) for the period	4,353	(2,400)

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

8. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the ordinary equity holders of the Company of HK\$38,879,000 for the period (2008: loss of HK\$52,880,000) and the weighted average of 1,000,000,000 (2008: 1,000,000,000) ordinary shares in issue during the period.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

10. 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.

Notes to Condensed Consolidated Financial Statements

30 June 2009

10. TRADE RECEIVABLES (continued)

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current — 30 days	223,222	287,559
31— 60 days	12,015	31,603
61 — 90 days	5,740	3,166
Over 90 days	349	7,694
	241,326	330,022
Less: impairment	(7,119)	(7,119)
	234,207	322,903

11. CASH AND CASH EQUIVALENTS

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Cash and bank balances	84,408	94,209
Time deposits	—	101,546
	84,408	195,755
Less: Time deposits pledged for bank loans	—	(101,546)
Pledged bank balances for bank loans	(43,067)	(53,689)
	41,341	40,520

Notes to Condensed Consolidated Financial Statements

30 June 2009

12. TRADE PAYABLES

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current — 30 days	163,968	226,222
31 — 60 days	39,072	101,532
61 — 90 days	22,742	30,042
Over 90 days	41,244	54,650
	267,026	412,446

The trade payables are non-interest bearing and are normally settled on terms of 30 days to 120 days.

13. INTEREST-BEARING BANK LOANS

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Current		
Bank loans, secured	384,790	500,580
	384,790	500,580
Non-current	—	—
	—	—

Notes to Condensed Consolidated Financial Statements

30 June 2009

13. INTEREST-BEARING BANK LOANS (continued)

The bank loans and other banking facilities of the Group are secured by:

- (i) cross-corporate guarantees by the Company and certain subsidiaries;
- (ii) certain buildings and leasehold land held by the Group; and
- (iii) the assignment of trade receivables of a subsidiary.

In addition, Keentop Investment Limited ("Keentop"), which is beneficially owned by Mr. Cheok Ho Fung, Peter, ("Mr. Cheok") a director of the Company, and his spouse, has mortgaged one of its properties to secure the Group's bank loans up to HK\$130,000,000 (as at the balance sheet date). One of the banking facilities granted to the Group have stipulated an undertaking that Mr. Cheok must continue to wholly and beneficially own directly or indirectly no less than 51% of the issued share capital of the Company as well as various covenants within the original facility agreement including interest cover ratio of not less than 4 and tangible net worth not to be less than HK\$1.2 billion. As at the balance sheet date, the covenant for the tangible net worth was breached by the Group and the waiver of which has been granted unanimously by the lending banks.

14. ADVANCE FROM A SHAREHOLDER

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Temporary advance	12,939	—
Loan from a controlling shareholder, unsecured and repayable:		
Within one year	47,545	—
In the second year	—	47,545
	60,484	47,545
Portion classified as current liabilities	(60,484)	—
Long term portion	—	47,545

Notes to Condensed Consolidated Financial Statements

30 June 2009

14. ADVANCE FROM A SHAREHOLDER (continued)

Included in the advance from a shareholder would be a shareholder's loan which was advanced by Mr. Cheok Ho Fung, Peter, a director and controlling shareholder of the Company, pursuant to the loan agreement dated 1 June 2008. The loan is unsecured, bears interest at HIBOR and is subordinated to all the bank borrowings.

15. FINANCE LEASE PAYABLES

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Amounts payable:		
Within one year	18,669	27,385
In the second year	2,370	10,036
In the third to fifth years, inclusive	—	1,906
<hr/>		
Total minimum finance lease payments	21,039	39,327
Future finance charges	(284)	(952)
<hr/>		
Total net finance lease payables	20,755	38,375
Portion classified as current liabilities	(18,394)	(26,615)
<hr/>		
Long term portion	2,361	11,760

The finance lease payables have an effective interest rate of HIBOR plus 1.25% to 2.25% per annum, with maturity in 2011 and bear interest at floating rates.

The net carrying amount of the Group's property, plant and machinery held under finance leases as at 30 June 2009 amounted to HK\$68,342,000 (31 December 2008: HK\$99,471,000). These items of plant and machinery were pledged to the respective banks as security for the finance leases facilities granted to the Group.

Notes to Condensed Consolidated Financial Statements

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16. SHARE CAPITAL

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000

17. CONTINGENT LIABILITIES

As mentioned in the 2008 Annual Report, a supplier of the Group had filed a claim in the PRC against 至卓飛高線路板（曲江）有限公司 (“TPC Shaoguan”), Topsearch Printed Circuits (Shenzhen) Ltd. (“TPC Shenzhen”) and Topsearch Printed Circuits (HK) Limited for outstanding purchase payables totaling US\$1.9 million (approximately HK\$15 million). The court of Shaoguan in PRC has issued an order that the shares of TPC Shaoguan cannot be transferred or pledged for the period from 31 July 2008 to 30 April 2009. The case has now been pending subject to the decision ruling by China International Economic and Trade Arbitration Commission (South China Sub-Commission) in PRC.

In the opinion of the Directors, the claim is in disputes since 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 as at 30 June 2009. After consulting with the Group's legal counsel, it is considered that the supplier will not probably succeed in the claim. Thus, no additional provision has been made in these financial statements.

Notes to Condensed Consolidated Financial Statements

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18. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	3,725	6,195
In the second to fifth years, inclusive	1,978	2,960
	5,703	9,155

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised and contracted for:		
The acquisition of the land	20,799	20,799
The construction of factory buildings	7,377	9,241
The acquisition of plant and machinery	6,990	7,900
	35,166	37,940

Notes to Condensed Consolidated Financial Statements

30 June 2009

19. COMMITMENTS (continued)

(b) Other commitments

As at 30 June 2009, the Group's capital contribution committed to two wholly-owned subsidiaries established in the PRC amounted to HK\$227,728,000 (31 December 2008: HK\$227,728,000), of which HK\$106,859,000 (31 December 2008: HK\$106,859,000) represents investment in a subsidiary in Tongliao, Inner Mongolia of the PRC and HK\$120,869,000 (31 December 2008: HK\$120,869,000) represents investment in a subsidiary in Shaoguan, Guangdong, the PRC, to be paid up by November 2011.

Subsequent to the balance sheet date as at 30 June 2009, on 24 July 2009, a shareholder's resolution has been passed for reducing the registered capital of 至卓飛高線路板（通遼）有限公司, a wholly-owned subsidiary of the Company, from US\$42 million to US\$28.3 million.

20. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related companies during the Period:

		For the six months ended	
	Notes	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Rental expenses paid to Keentop Investment Limited ("Keentop")	(i)	978	763
Interest on advance from a shareholder	(ii)	56	—
Marketing service fee paid to an associate	(iii)	463	793

Notes:

- (i) The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, related to a property leased as their residence. The monthly rental of HK\$120,000 for the period from 22 May 2005 to 21 May 2008 was based on the tenancy agreement entered into between both parties. Pursuant to a renewal tenancy agreement entered into on 10 June 2008, the monthly rental was HK\$163,000, for a term of 3 years commencing from 1 June 2008 (with an option to renew for a further term of three years) and which was based on a market rental valuation report provided by an independent professionally qualified valuer in June 2008.
- (ii) Interest expense was charged at HIBOR for the advance from a shareholder, Mr. Cheok Ho Fung, Peter.
- (iii) Marketing service fee was paid at prices mutually agreed between the parties for support services provided by an associate.

Notes to Condensed Consolidated Financial Statements

30 June 2009

20. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with related parties:

The amount due from the Group's associate of HK\$388,000 (31 December 2008: HK\$458,000) is unsecured, interest-free and has no fixed term of repayment.

- (c) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2009 (Unaudited) HK\$'000	30 June 2008 (Unaudited) HK\$'000
Short-term employee benefits	3,398	3,522
Post-employment benefits	104	224
Total compensation paid to key management personnel	3,502	3,746

21. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date as at 30 June 2009, on 1 September 2009, the Group has been granted new banking facilities of totaling RMB290 million (approximately equivalent to HK\$330 million) from China Construction Bank (Shenzhen Branch) for a term of 12 months. The banking facilities are secured by certain land and buildings of the Group in Shenzhen and Shaoguan.
- (b) The Company is now negotiating with a PRC bank for a new accounts receivable factoring facility which will be utilised to replace the existing clubbed factoring arrangement under HSBC and CITIC Ka Wah Bank in Hong Kong. With this new arrangement, the Company expects to improve the utilization of the facility amount by the increased insurable credit limit of the existing buyers available under the credit insurance policy of Sinosure (the sole authorized credit insurer for export trade in the PRC) and to lower the relevant bank borrowing charges as compared to the prevailing level of the Hong Kong lending banks.
- (c) Subsequent to the balance sheet date as at 30 June 2009, on 24 July 2009, a shareholder's resolution has been passed for reducing the registered capital of 至卓飛高線路板（通遼）有限公司, a wholly-owned subsidiary of the Company, from US\$42 million to US\$28.3 million.