THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Topsearch International (Holdings) Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

TERMINATION OF ACQUISITION AND OFF-MARKET REPURCHASE OF SHARES

Financial Adviser

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders

CAPITAL

CSC Asia Limited

A notice convening a special general meeting of Topsearch International (Holdings) Limited to be held at Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 2 August 2010 at 10:00 a.m. is set out on pages 115 to 116 of this circular. A form of proxy for use at the special general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

If you do not propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

* *for identification purposes only*

29 June 2010

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Property pursuant to the terms of the Acquisition Agreement
"Acquisition Agreement"	the Main Acquisition Agreement and the Supplemental Acquisition Agreement
"Announcement"	an announcement dated 18 February 2010 issued by the Company in relation to the Securities Repurchase
"Associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the Board of Directors
"Company"	Topsearch International (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Securities Repurchase in accordance with the Termination Agreements
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the directors of the Company
"Disinterested Shareholders"	Shareholders other than Majestic Wealth and its Associates and parties acting in concert with it and those who are interested in the Termination Agreements and Securities Repurchase
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent committee of the Board comprising the independent non-executive Directors, namely Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee, Mr. Ng Kee Sin and Mr. Xiang Dong, and non-executive Directors, namely, Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin, to advise the Disinterested Shareholders regarding the Termination Agreements and the transactions contemplated thereunder
"Independent Financial Adviser" or "CSC Asia"	CSC Asia Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Disinterested Shareholders in respect of the Termination Agreements and the transactions (including the Securities Repurchase) contemplated thereunder
"Issue Price"	HK$0.58 per Share, being the issue price of the Land Consideration Shares
"Land A"	a piece of industrial land located in phase II of Tongliao Economic Development Zone, Inner Mongolia, the PRC with a site area of approximately 230,667 square metres
"Land Consideration Shares"	93,400,000 Shares issued to Majestic Wealth by the Company at the Issue Price as partial consideration for the Acquisition
"Last Trading Day"	17 February 2010, being the last trading day on which the shares were traded on the Stock Exchange prior the publication of the Announcement
"Latest Practicable Date"	25 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Main Acquisition Agreement"	the main agreement dated 23 August 2007 entered into between the Company and Majestic Wealth in relation to the acquisition of the Property and the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth governed by Hong Kong law
"Majestic Wealth"	Majestic Wealth Limited, a company incorporated in Samoa and wholly and beneficially owned by Ms. Ma Li Rong, and independent of the Company and its connected persons, save and except Majestic Wealth holds 93,400,000 Shares
"PRC"	the People's Republic of China
"Property"	two parcels of contiguous vacant industrial land located in phase II of Tongliao Economic Development Zone, Inner Mongolia, the PRC with a site area of approximately 279,333.78 square metres
"Reference Price"	at HK$0.58 which shall be deemed to be the reference price per each Repurchased Share in relation to the Securities Repurchase which is determined by both the Company and Majestic Wealth on an arm's length basis by reference to the Issue Price
"Repurchase Amount"	the total amount payable by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price, which amount is agreed by Majestic Wealth to be paid and settled in full by the Company by way of payment of RMB350,000 to Majestic Wealth as the consideration and termination fee for the purposes of entering into the Termination Agreements and effecting the transactions contemplated thereunder
"Repurchase Code"	the Hong Kong Code on Share Repurchases
"Repurchased Shares"	93,400,000 Shares beneficially held by Majestic Wealth to be repurchased by the Company at Completion for cancellation pursuant to the terms of the Termination Agreements

"RMB"	Renminbi, the lawful currency of the PRC
"Securities Repurchase"	the proposed repurchase of the Repurchased Shares by the Company from Majestic Wealth under the Termination Agreements, which will constitute an off-market share repurchase by the Company pursuant to Rule 2 of the Repurchase Code
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SFO Register"	the register of substantial shareholders required to be maintained by the Company pursuant to section 336 of the SFO
"SGM"	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Termination Agreements and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Acquisition Agreement"	the supplemental agreement dated 23 August 2007 entered into between Topsearch Tongliao and Majestic Wealth in relation to the acquisition of the Property governed by the PRC law
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Termination Agreements"	the agreement (governed by the laws of Hong Kong) dated 17 February 2010 entered into between the Company, Topsearch Tongliao and Majestic Wealth in relation to the partial termination of the Main Acquisition Agreement; and the agreement (governed by the PRC Laws) dated 17 February 2010 entered into between the Company, Topsearch Tongliao and Majestic Wealth in relation to the termination of the Supplemental Acquisition Agreement
"Topsearch Tongliao"	Topsearch Tongliao Investment (BVI) Limited (formerly known as Wealthstar International Limited), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"%"	per cent.

Unless otherwise specified in this circular, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK$ as follows:

RMB = HK$1.14

Such translation shall not be construed as a representation that amounts of RMB may be or may have been converted.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

Executive Directors:
Mr. Cheok Ho Fung *(Chairman)*
Mr. Liu Wai On

Non-executive Directors:
Mr. Tang Yok Lam, Andy
Mr. Ng Kwok Ying, Alvin

Independent non-executive Directors:
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin
Mr. Xiang Dong

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business:
3406 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

29 June 2010

To the shareholders of the Company

Dear Sir or Madam,

TERMINATION OF ACQUISITION AND OFF-MARKET REPURCHASE OF SHARES

INTRODUCTION

Termination of Acquisition

Reference is made to the announcements of the Company dated 27 August 2007, 20 October 2009, 19 November 2009, 18 December 2009, 20 January 2010, 18 February 2010, 11 March 2010, 29 March 2010, 18 May 2010 and 18 June 2010.

On 23 August 2007, the Company entered into the Acquisition Agreement with Majestic Wealth for the purchase of the Property at RMB71 million. Among the RMB71 million

* *for identification purposes only*

consideration, of which RMB52,696,498 was satisfied by issue and allotment of the Land Consideration Shares at the Issue Price to Majestic Wealth. The remaining balance of RMB18,303,502 is to be settled in cash pursuant to the Acquisition Agreement. The Company has not paid the remaining balance of RMB18,303,502 to Majestic Wealth as at the Latest Practicable Date.

Based on commercial considerations as stated below in this circular, after trading hours on 17 February 2010, the Company, Majestic Wealth and Topsearch Tongliao entered into the Termination Agreements to unwind the Acquisition by:

(i) terminating the transfer of the Property to the Group;

(ii) extinguishing the Group's payment obligation in respect of the remaining balance of RMB18,303,502; and

(iii) repurchasing and cancelling the Repurchased Shares by the Company.

Pursuant to the Termination Agreements, the Company will pay Majestic Wealth for RMB350,000 as the consideration and termination fee which will be or shall be deemed to be in full and final settlement to extinguish in full (a) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 in relation to the Acquisition, and (b) the payment of the Repurchase Amount by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price.

Pursuant to the Termination Agreements, the provision in the Main Acquisition Agreement relating to the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth will not be terminated.

Off-Market Repurchase of Shares

On Completion, the Repurchased Shares that are repurchased by the Company will be cancelled. As a result, the number of Shares in issue following the Securities Repurchase will be reduced from 1,000,000,000 (being the number of Shares currently in issue) to 906,600,000. Majestic Wealth has no securities of the Company other than the Repurchased Shares and it will hold no more Shares after Completion.

It is envisaged that immediately upon completion of the Termination Agreements, the public float of the Company will fall below the minimum public float requirement under Rule 8.08(1) of the Listing Rules.

Implications of the Repurchase Code

The transactions contemplated under the Termination Agreements constitute an off-market repurchase of shares by the Company under the Repurchase Code. The Termination Agreements are conditional as described below. In particular, the Securities Repurchase is subject to approval by at least three-fourths of the vote cast on a poll by Disinterested Shareholders present in person or by proxy at the SGM and approval by the Executive. There is no assurance that such approvals will be granted or that all conditions precedent of the Termination Agreements will be fulfilled. The SGM will be convened and held to consider and, if thought fit, approve the Termination Agreements and the transactions contemplated therein.

The Independent Board Committee has been established to give recommendation to the Disinterested Shareholders regarding the Termination Agreements, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Disinterested Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, further details of the Termination Agreements, the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser, the notice of the SGM and other information as required under the Repurchase Code.

The Termination Agreements

The principal terms of the Termination Agreements are as follows:

Date : 17 February 2010

Parties : The Company;

Topsearch Tongliao; and

Majestic Wealth

Principal Terms :

(i) terminating the transfer of the Property to the Group;

(ii) extinguishing the Group's payment obligation in respect of the remaining balance of RMB18,303,502; and

(iii) repurchasing and canceling the Repurchased Shares by the Company.

Consideration

The Company agrees to pay Majestic Wealth RMB350,000 as the consideration for the Termination Agreements, which consideration and termination fee will be or shall be deemed to be in full and final settlement to extinguish in full (a) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 in relation to the Acquisition, and (b) the payment of the Repurchase Amount by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price.

The consideration of RMB350,000 was determined between the Company, Majestic Wealth and Topsearch Tongliao after arm's length negotiations and taking in account the possible return on investment which Majestic Wealth would have received had the outstanding balance of RMB18,303,502 been paid on or before 31 December 2008.

Upon the Securities Repurchase by the Company at Completion, the Repurchased Shares will be cancelled in accordance with the Companies Act of Bermuda.

Pursuant to the Termination Agreements, the provision in the Main Acquisition Agreement relating to the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth will not be terminated.

The Repurchased Shares

The Repurchased Shares amount to 93,400,000 Shares and represent approximately 9.34% of the issued share capital of the Company as at the Latest Practicable Date. The Repurchased Shares together with all rights attaching or accruing thereto including the right to receive dividend and other distributions declared, made or paid, on or after Completion will be transferred to the Company at the Reference Price and then cancelled.

Subject to the review by the Company's auditors, it is expected that as a result of completion of the Termination Agreements and the transactions contemplated thereunder, including the repurchase and cancellation of the Repurchased Shares, the consolidated net assets per share and the earnings per share would increase and the working capital of the Group would decrease due to the removal of "other receivable" under the current assets.

The Company does not expect any change to the liabilities of the Group.

The Company is of the view that the said changes in the consolidated net asset per share, earnings per share and working capital of the Group would not bring any material adverse change to the Group.

The Reference Price agreed by the parties for the cancellation of the Repurchased Shares represents:

(i) the Issue Price

(ii) a premium of approximately 41.46% over the closing price of HK$0.41 per Share as quoted on the Stock Exchange on 17 February 2010, being the date of the Termination Agreements;

(iii) a premium of approximately 38.10% over the average of the closing price of approximately HK$0.42 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 February 2010;

(iv) a premium of approximately 31.82% over the average of the closing price of approximately HK$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 17 February 2010;

(v) a discount of approximately 48.67% to the unaudited net assets value per Share attributable to equity Shareholders of the Company as at 30 June 2009 of approximately HK$1.13; and

(vi) a premium of approximately 46.84% over the closing price of HK$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Conditions precedent of the Termination Agreements

Completion shall be conditional upon the conditions precedent set out below having been satisfied:

(i) the necessary approval by the Executive for any off-market share repurchase to be made by the Company pursuant to the Termination Agreements; and

(ii) the Shareholders having passed the necessary special resolutions at general meeting of the Company to approve the Termination Agreements and the transactions (including the Share Repurchase) contemplated thereunder. Only Disinterested Shareholders have the voting rights at that general meeting.

The Securities Repurchase by the Company constitutes an off-market share repurchase of the Company. Under Rule 2 of the Repurchase Code, an off-market share repurchase must be approved by the Executive. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the proposed repurchase by at least three-fourths of the votes cast on a poll by Disinterested Shareholders present in person or by proxy at a general meeting to be held for such purposes. Due compliance with the aforesaid voting requirement on the Termination Agreements will be made by the Company in this regard.

Completion

Completion shall take place on the second business day after the fulfillment of the conditions precedent to the Termination Agreements.

Completion of the Termination Agreements will have the effect of completely unwinding the Acquisition, the result of which will be that Majestic Wealth will cease to have any interest in the share capital of the Company.

Reasons for Entering into the Termination Agreements

The Group initially expected to acquire the Property as part of the Group's plan to shift part of its production facilities to Tongliao Economic Development Zone, Inner Mongolia, the PRC, which has a lower cost base. Nonetheless, the Company considers that it is no longer in the interest of the Company and its shareholders as a whole to proceed with the development of the Property for the following reasons:

(i) As disclosed in the annual report of the Group for the year ended 31 December 2007, as a result of the economic recession at the beginning of 2008, the demand for printed circuit boards, the manufacture and sale of which the Group is principally engaged in, has decreased substantially. The Company is of the opinion that the demand for printed circuit boards is unlikely to be restored in the near future to the level prior to 2008.

(ii) In view of the above, the Company considers that it would not be in the interests of the Group to proceed with the development of the Property.

(iii) However, pursuant to the Rules of Idle Land (Land Resources Department of PRC reference no. 5), any delay in the development would attract a land idle fee under PRC law and the Property would be subject to resumption by the PRC government. As the Property has been idle for a significant period of time, the PRC government resumed the Property on 10 October 2009.

In these circumstances, the Company therefore entered into the Termination Agreements with Majestic Wealth and Topsearch Tongliao to unwind the Acquisition by:

(i) terminating the transfer of the Property to the Group;

(ii) extinguishing the Group's payment obligation in respect of the remaining balance of the consideration of RMB18,303,502; and

(iii) repurchasing and canceling the Repurchased Shares by the Company.

Effects of a Lapse of the Termination Agreements as a result of the Conditions Precedent not being satisfied

In the event that (i) the necessary approval for the off-market share repurchase pursuant to the Termination Agreements is not granted by the Executive (which approval, if granted, will normally be conditional upon, among other things, approval of the proposed repurchase by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a general meeting of the Company to be held for such purposes) or (ii) the necessary special resolutions are not passed by the Disinterested Shareholders in the SGM for the approval of the Termination Agreements and the transactions contemplated thereunder, the Termination Agreements will lapse and the respective rights, interests and obligations of the Company and Majestic Wealth under the Main Acquisition Agreement and that of Topsearch Tongliao and Majestic Wealth under the Supplemental Acquisition Agreement will be reinstated or shall be deemed to have been reinstated to the original positions as if no termination as such has ever been effected.

In the event of a lapse of the Termination Agreements, (a) the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement are liable to pay to Majestic Wealth the balance of the consideration in the amount of RMB18,303,502 in relation to the Acquisition (the total consideration for the sale of the Property by Majestic Wealth is RMB71,000,000 and part of which in the amount of RMB52,696,498 was already settled by the issuance and allotment of the Land Consideration Shares at the Issue Price by the Company to Majestic Wealth), and (b) Majestic Wealth is not obligated to offer the Repurchased Shares for the repurchase and cancellation by the Company and Majestic Wealth will continue to be the registered holder of the Repurchased Shares. Majestic Wealth shall also be entitled to enforce its rights and interest or even institute proceedings against the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement to claim and sue for the outstanding balance of RMB18,303,502 in whole or in part should the Termination Agreements lapse as a result of non-approval of the Disinterested Shareholders in the SGM.

Given that the Property was resumed by the PRC government on 10 October 2009 pursuant to the Rules of Idle Land (Land Resources Department of PRC reference no. 5), according to the PRC legal advice to the Company, as at the Latest Practicable Date, the Company and/or Topsearch Tongliao will have to pay at least approximately RMB15,792,291, including but not limited to the idle land fee of RMB2,178,800, urban land-use tax of RMB8,938,681, title deed taxes of RMB2,130,000 and land value-added tax of RMB2,544,810, for the Company to acquire and re-gain the land use right of the Property from the PRC government.

In the circumstances, the Company considers that it would be in the interest and benefit of the Company and its shareholders as a whole for the passing of the special resolutions by the Disinterested Shareholders in the SGM to approve the entering into of the Termination Agreements by the Company to effect (i) partial termination of the Main Acquisition Agreement in relation to the acquisition of the Property and (ii) termination of the Supplemental Acquisition Agreement, so as to avoid further payment obligations of an aggregate amount of approximately RMB34,095,793 by the Company arising out of (a) the obligations on the part of the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement to pay the remaining balance of the land consideration in the amount of RMB18,303,502 to Majestic Wealth, and (b) the payment of a further amount of at least approximately RMB15,792,291 by the Company to acquire and re-gain the land use right of the Property from the PRC government for development of the Property, which development is considered by the Company not to be in the interest of the Group in view of the prevailing market and business position.

Financial Effects of Unwinding the Land Acquisition

On 10 October 2009, the PRC government, pursuant to the Rules of Idle Land, resumed the Property as the same has been idled for a significant period of time. Accordingly, the deposit paid for land lease of the Property was reclassified to other receivable of the Company. For the year ended 31 December 2009, the Group recognized an impairment loss of HK$28,126,000 in relation to other receivable by reference to the fair value of the underlying shares of the Company which the Group expected to receive as return of the deposit.

It follows that when the repurchase and cancellation of the Repurchased Shares are completed, the whole amount of such other receivable for HK$31,756,000 will be charged against the share capital and share premium accounts of the Company where further impairment loss may be recorded dependent upon the actual market price of the underlying shares at the date of effecting the Securities Repurchase.

Subject to the review by the Company's auditors, it is expected that as a result of completion of the Termination Agreements and the transactions contemplated thereunder, including the repurchase and cancellation of the Repurchased Shares, the consolidated net assets per share and the earnings per share would increase and the working capital of the Group would decrease due to the removal of "other receivable" under the current assets.

The Company does not expect any change to the liabilities of the Group.

The Company is of the view that the said changes in the consolidated net asset per share, the earnings per share and the working capital of the Group would not bring any material adverse change to the Group.

Effects on Shareholding Structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion assuming there is no change in the issued share capital and shareholding structure of the Company between the Latest Practicable Date and the Completion.

		As at the Latest Practicable Date		**Immediately after Completion**	
		Shares	*%*	*Shares*	*%*
Controlling shareholder					
Inni International Inc.	*(a)*	432,000,000	43.20%	432,000,000	47.65%
Mr. Cheok Ho Fung		78,250,000	7.83%	78,250,000	8.63%
Subtotal		**510,250,000**	**51.03%**	**510,250,000**	**56.28%**
Kingboard Group					
Kingboard Investments Limited		204,024,000	20.40%	204,024,000	22.50%
Kingboard Laminates Limited		202,000	0.02%	202,000	0.02%
Kingboard Chemical Holdings Limited	*(b)*	2,766,000	0.27%	2,766,000	0.31%
Subtotal		**206,992,000**	**20.69%**	**206,992,000**	**22.83%**
Public shareholders					
Majestic Wealth		93,400,000	9.34%	—	—
Other Public Shareholders		189,358,000	18.94%	189,358,000	20.89%
Subtotal		**282,758,000**	**28.28%**	**189,358,000**	**20.89%**
Total		**1,000,000,000**	**100.00%**	**906,600,000**	**100.00%**

Notes:

(a) Inni International Inc. is a company incorporated in the Republic of Liberia. The shares of Inni are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse.

(b) Kingboard Investments Limited and Kingboard Laminates Limited are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited.

(c) As at the Latest Practicable Date, there is no outstanding derivative in respect of securities of the Company entered into by the Company or any person acting in concert with it and there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Company which might be material to the Securities Repurchase. There are no agreements or arrangements to which Majestic Wealth or the Company is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Securities Repurchase, and there are no relevant securities in the Company which Majestic Wealth, the Directors or any person acting in concert with any of them has borrowed or lent, save for any borrowed shares which have been either on-lent or sold during the period commencing six months prior to 18 February 2010 up to the Latest Practicable Date.

Source: *the records from the Tricor Abacus Ltd. and the Company reflecting the shareholding structure of the Company on the Latest Practicable Date. In the event that the figures in the shareholding structure are different from those as disclosed in the above table, the Company would issue an announcement regarding the difference(s).*

Following Completion, the Repurchased Shares will be cancelled. As a result, the number of Shares in issue following the Securities Repurchase will be reduced from 1,000,000,000 (being the number of Shares currently in issue) to 906,600,000. Majestic Wealth will hold no more Shares or securities of the Company. The percentage shareholdings of all other Shareholders in the Company will be proportionately increased by approximately 10.3%. Based on the SFO Register maintained by the Company as at the date hereof, the Directors are not aware of any person or group of persons acting in concert who, as a result of the Completion, will become obliged to make a general offer for all the issued Shares of the Company following the Completion.

It is envisaged that immediately upon the Completion, the public float of the Company will fall from 28.28% to 20.89% which is below the minimum public float requirement of 25% under Rule 8.08(1) of the Listing Rules. An announcement in relation to the insufficient public float of the Company will be issued upon the Completion. The Company will continue to pay close attention to the level of public float of the Company's shares and will strive to restore the public float of the Company to at least 25% of the total issued share capital of the Company by way of, including but not limited to, placing and issue of new shares of the Company. The aforesaid possible ways for restoration are still in a preliminary and initial stage and not yet finalised. Further announcement(s) will be made on the restoration of the public float as and when appropriate.

As a result of the insufficient public float of the Company following Completion, trading in the Shares may be suspended by the Stock Exchange if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market. Shareholders and potential investors are advised to exercise caution when dealing the Shares.

IMPLICATIONS OF THE REPURCHASE CODE

The transactions contemplated under the Termination Agreements constitute an off-market share repurchase by the Company under the Repurchase Code. The Company has made an application to the Executive for approval of the Securities Repurchase pursuant to Rule 2 of the Repurchase Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Securities Repurchase by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As approval of the Executive of the Securities Repurchase is a condition of the Termination Agreements, the Company will not proceed to Completion unless the Executive approves the Securities Repurchase pursuant to Rule 2 of the Repurchase Code. However, there is no assurance that such approval will be granted or that all the conditions precedent to the Termination Agreements will be fulfilled (or where applicable, waived).

By reason of the requirements of the Repurchase Code described above, Majestic Wealth, its Associates and parties acting in concert with it who hold 93,400,000 Shares in aggregate (representing approximately 9.34% of the existing issued share capital of the Company) as at the Latest Practicable Date, and those who are interested in the Termination Agreements, will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Termination Agreements and the transactions contemplated thereunder.

General

The Group is principally engaged in manufacture and sale of a broad range of double-sided and multilayer printed circuit boards. The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

As disclosed in the annual report of the Group for the year ended 31 December 2009, the Company reckons the major challenges to its financial and trading prospects are from high material prices, general shortage of labour and potential appreciation of RMB in the near future. Although businesses in the second half of 2009 have returned to a much normal situation comparing to the first quarter of 2009, the Group still suffered some losses during the second half of 2009 and does not expect the business to turn around quickly during the first half of 2010.

Majestic Wealth is a company incorporated in Samoa and wholly and beneficially owned by Ms. Ma Li Rong. It is an investment company which invests in various projects in the PRC including, but not limited to, natural resources, energy, securities and manufacturing. Majestic Wealth and parties acting in concert with it have not dealt for value in any of the Shares in the six months preceding the Latest Practicable Date.

To the best knowledge and belief of the Directors who have made all reasonable enquiries, the Directors confirm that Majestic Wealth and its ultimate beneficial owner are independent of the connected persons of the Company, save and except Majestic Wealth holds 93,400,000 Shares.

According to the Bermuda legal advice to the Company, pursuant to the Bermuda Companies Act 1981 and the memorandum of association and bye-laws of the Company, the Company can repurchase its own shares and such repurchase shall be exercisable by the board of directors of the Company. The Company is not required to obtain any Bermuda court's approval to effect any share repurchase pursuant to the Bermuda Companies Act 1981 and the memorandum of association and bye-laws of the Company.

Voting

By reason of the requirements of the Repurchase Code described above, all parties who are interested in the Termination Agreements are required to abstain from voting in respect of the necessary resolution to be proposed at the SGM concerning the Termination Agreements. Majestic Wealth, together with its associates and parties acting in concert with it, holding in aggregate 93,400,000 Shares, as at the Latest Practicable Date, will abstain from voting in respect of the resolutions to be proposed at the SGM to approve the Termination Agreements and the transactions contemplated thereunder. To the best of the knowledge of the Directors after having made all enquiries, save for Majestic Wealth, its associates and parties acting in concert with it, there are no other persons who are interested in the Termination Agreements and held any Shares as at the Latest Practicable Date.

THE SGM

The SGM will be held at Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 2 August 2010 at 10:00 a.m. to consider and, if thought fit, approve, the necessary special resolutions regarding the Securities Repurchase and the Termination Agreements.

A notice convening the SGM is set out on pages 115 to 116 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment meeting thereof if you so wish.

RECOMMENDATION

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Shareholders regarding the terms of the Termination Agreements is set out on pages 21 to 35 of this circular. A letter from the Independent Board Committee to the Disinterested Shareholders in this regard is set out on pages 19 to 20 of this circular. After taking into account the view of the Independent Financial Adviser that the terms of the Termination Agreements are fair and reasonable so far as the Disinterested Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole, the Independent Board Committee is of the view that the terms of the Termination Agreements are fair and reasonable so far as the Disinterested Shareholders are concerned and that the entering into of the Termination Agreements by the Company is in the interests of the Company and the Shareholders as a whole and recommends the Disinterested Shareholders to vote in favour of the special resolutions to be put forward to the Disinterested Shareholders at the SGM to consider and, if thought fit, approve the Termination Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, and the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Topsearch International (Holdings) Limited
Cheok Ho Fung
Chairman and Chief Executive Officer

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

29 June 2010

To the Disinterested Shareholders

Dear Sir or Madam,

TERMINATION OF ACQUISITION
AND
OFF-MARKET REPURCHASE OF SHARES

We refer to the circular of the Company dated 29 June 2010 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee and to advise the Disinterested Shareholders as to whether the terms of the Termination Agreements are fair and reasonable so far as the Disinterested Shareholders are concerned and whether the entering into of the Termination Agreements by the Company is in the interests of the Company and its Shareholders as a whole. Details of which are set out in the letter from the Board contained in the Circular.

CSC Asia Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders regarding the fairness and reasonableness of the Termination Agreements. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 21 to 35 of the Circular.

* *for identification purposes only*

Having considered the advice of the Independent Financial Adviser set out on pages 21 to 35 of the Circular, we are of the opinion that the terms of the Termination Agreements are fair and reasonable so far as the Disinterested Shareholders are concerned and that the entering into of the Termination Agreements by the Company is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Termination Agreements and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Topsearch International (Holdings) Limited

Mr. Xiang Dong	**Mr. Leung Shu Kin, Alfred**	**Mr. Wong Wing Kee**	**Mr. Ng Kee Sin**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

Mr. Ng Kwok Ying, Alvin
Non-executive Director

Mr, Tang Yok Lam, Andy
Non-executive Director

The following is the text of a letter of advice from CSC Asia which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Disinterested Shareholders in respect of the Termination Agreements and the transactions (including the Securities Repurchase) contemplated thereunder.

CAPITAL

CSC Asia Limited
Units 3204-07, 32/F
Cosco Tower
183 Queen's Road Central
Hong Kong

29 June 2010

To: The independent board committee and
the disinterested shareholders of
Topsearch International (Holdings) Limited

Dear Sirs,

(1) TERMINATION OF ACQUISITION AND (2) OFF-MARKET REPURCHASE OF SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Disinterested Shareholders in respect of the Termination Agreements and the transactions (including the Securities Repurchase) contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 29 June 2010 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 August 2007, the Company announced that the Acquisition Agreement were entered into between the Company and Majestic Wealth on 23 August 2007 for the purchase of the Property at a consideration of RMB71,000,000 (equivalent to approximately HK$80,940,000), of which RMB52,696,498 (equivalent to approximately HK$60,074,008 was satisfied by the issue and allotment of Land Consideration Shares at the Issue Price to Majestic Wealth and the remaining balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) is to be settled in cash. As at the Latest Practicable Date, the cash consideration of RMB18,303,502 (equivalent to approximately HK$20,865,992) has not been paid by the Company to Majestic Wealth.

On 18 February 2010, the Company announced that based on commercial decisions, the Termination Agreements were entered into between the Company, Majestic Wealth and Topsearch Tongliao (a wholly-owned subsidiary of the Company) after trading hours on 17 February 2010 to unwind the Acquisition by (i) terminating the transfer of the Property to the Group; (ii) extinguishing the Group's payment obligation in respect of the remaining cash consideration of RMB18,303,502 (equivalent to approximately HK$20,865,992); and (iii) repurchasing and canceling the Repurchased Shares by the Company. Pursuant to the Termination Agreements, upon Completion, an amount of RMB350,000 (equivalent to approximately HK$399,000) will be payable in cash by the Company to Majestic Wealth as the consideration and termination fee (the "**Fee**"), which will be or shall be deemed to be in full and final settlement to extinguish in full (a) the transfer of the Property to the Group; (b) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) in relation to the Acquisition, representing approximately 36.3% of the bank balances and cash held by the Group as at 31 December 2009; and (c) the payment of RMB52,696,498 (equivalent to approximately HK$60,074,008) by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price. As stated in the Letter from the Board, the Fee was agreed after arm's length negotiations among the Company, Majestic Wealth and Topsearch Tongliao taken into account the possible return on investment which Majestic Wealth would have been received had the outstanding balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) been paid on or before 31 December 2008. Pursuant to the Termination Agreements, the provision in the Main Acquisition Agreement relating to the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth will not be terminated. As the outstanding sum is an independent transaction from, and is not conditional on, the Termination Agreements, therefore, we are not in a position to provide our opinion in the context of this letter.

The Securities Repurchase constitutes an off-market share repurchase by the Company under the Repurchase Code. The Company has made an application to the Executive for approval of the Securities Repurchase pursuant to Rule 2 of the Repurchase Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Securities Repurchase by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the SGM. According to the Repurchase Code requirements, Majestic Wealth and its respective associates and concert parties, who together held 93,400,000 Shares (representing approximately 9.34%

of the existing issued share capital of the Company) as at the Latest Practicable Date shall abstain from voting at the SGM for the approval of the Termination Agreements and the transactions (including the Securities Repurchase) contemplated thereunder.

Shareholders should note that in the event that (i) the necessary approval for the off-market share repurchase pursuant to the Termination Agreements is not granted by the Executive (which approval, if granted, will normally be conditional upon, among other things, approval of the proposed repurchase by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a general meeting of the Company to be held for such purposes) or (ii) the necessary special resolutions are not passed by the Disinterested Shareholders in the SGM for the approval of the Termination Agreements and the transactions contemplated thereunder, the Termination Agreements will lapse and the respective rights, interests and obligations of the Company and Majestic Wealth under the Main Acquisition Agreement and that of Topsearch Tongliao and Majestic Wealth under the Supplemental Acquisition Agreement will be reinstated or shall be deemed to have been reinstated to the original positions as if no termination as such has ever been effected.

As at the Latest Practicable Date, the Independent Board Committee comprising four independent non-executive Directors namely Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee, Mr. Ng Kee Sin and Mr. Xiang Dong and two non-executive Directors namely, Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin, has been established to advise the Disinterested Shareholders on the fairness and reasonableness of the terms of the Termination Agreements, including the Securities Repurchase insofar as the Disinterested Shareholders are concerned and as to whether the transactions contemplated under the Termination Agreements are in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Disinterested Shareholders on how to vote on the relevant resolution(s) to be proposed at the SGM. We, CSC Asia, have been appointed to advise the Independent Board Committee and the Disinterested Shareholders in this regard. Our appointment has been approved by the Independent Board Committee.

CSC Asia is independent from, and not connected with, the Group or Majestic Wealth or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, and is accordingly qualified to give independent advice to the Independent Board Committee and the Disinterested Shareholders in relation to the Termination Agreements and the transactions contemplated thereunder including the Securities Repurchase.

BASIS OF OUR OPINION

In formulating our recommendations, we have relied on the information and facts supplied by the Company and the representations of, the Directors and management of the Company, including those set out in the Circular. We have assumed that all the information and representations so supplied by the Company and/or the Directors and all information and representations referred to or contained in the Circular, for which the Company and the Directors are solely and wholly responsible, were true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. No representation or warranty, expressed or implied, is made by us on the accuracy of such information or representation. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. The Directors have confirmed, having made all reasonable enquiries that to the best of their knowledge and belief, there are no material facts the omission of which would make any statements in the Circular misleading.

We consider that we have reviewed sufficient information and documents to reach an informed view and to provide a reasonable basis for our recommendations. We have not, however, conducted any independent investigation into the businesses or affairs or assets and liabilities or future prospects of the Group, Majestic Wealth or any of their associates, nor have we carried out any independent verification of information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Termination Agreements and the transactions (including the Securities Repurchase) contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the Acquisition Agreement and the Termination Agreements

The Group is principally engaged in the manufacture and sale of a broad range of double-sided and multilayer printed circuit boards.

As disclosed in the announcement of the Company dated 27 August 2007 and the circular of the Company dated 17 September 2007, at the time of entering into the Acquisition Agreement, the Directors considered that it would be beneficial for the Group to shift part of its production from Guangdong area to Tongliao Economic

Development Zone, Inner Mongolia, the PRC, which has lower production and labour costs. Tongliao manufacturing plant was expected to locate on Land A and operation was expected to commence in the fourth quarter of 2007. The Directors then considered that the acquisition of Property, being adjacent to Land A, would be an appropriate investment for future development of the Property.

As stated in the "Letter from the Board" in the Circular, the demand for the printed circuit boards, the manufacture and sale of which the Group is principally engaged in, has decreased substantially due to the economic recession at the beginning of 2008. The Directors expected that the demand for printed circuit boards would be unlikely to be restored in the near future to the level prior to 2008, which made the acquisition of the Property no longer meaningful for the Group to proceed further for the development of another manufacturing plant apart from Tongliao manufacturing plant located on Land A which, as advised by the Directors, has commenced operation in June 2010. Further, as at the Latest Practicable Date, the Company has not obtained the land use right certificate of the Property and such Property has been idled for a significant period of time. Pursuant to the Rules of Idle Land (Land Resources Department of PRC reference no. 5), any delay in the development of the Property under PRC law would attract a land idle fee and the Property would be subject to resumption by the PRC government. The PRC government resumed the Property on 10 October 2009.

In these circumstances, the Termination Agreements were entered into between the Company, Majestic Wealth and Topsearch Tongliao after trading hours on 17 February 2010 to unwind the Acquisition. The Company agreed to pay the Fee to Majestic Wealth to extinguish in full (a) the transfer of the Property to the Group; (b) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) in relation to the Acquisition, representing approximately 36.3% of the bank balances and cash held by the Group as at 31 December 2009; and (c) the payment of RMB52,696,498 (equivalent to approximately HK$60,074,008) by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price.

As stated in the "Letter from the Board" in the Circular, in the event of lapse of the Termination Agreements, (a) the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement are liable to pay to Majestic Wealth the balance of the consideration in the amount of RMB18,303,502 (equivalent to approximately HK$20,865,992) in relation to the Acquisition (the total consideration for the sale of the Property by Majestic Wealth is RMB71,000,000 (equivalent to approximately HK$80,940,000), of which

RMB52,696,498 (equivalent to approximately HK$60,074,008) was already settled by issuance and allotment of the Land Consideration Shares at the Issue Price by the Company to Majestic Wealth), and (b) Majestic Wealth is not obligated to offer the Repurchased Shares for the repurchase and cancellation by the Company and Majestic Wealth will continue to be the registered holder of the Repurchased Shares. Majestic Wealth shall also be entitled to enforce its rights and interest or even institute proceedings against the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement to claim and sue for the outstanding balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) in whole or in part should the Termination Agreements lapse as a result of non-approval of the Disinterested Shareholders in the SGM.

Further, given that the Property was resumed by the PRC government on 10 October 2009 pursuant to the Rules of Idle Land (Land Resources Department of PRC reference no. 5), according to the PRC legal advice to the Company, as at the Latest Practicable Date, the Company and/or Topsearch Tongliao will have to pay at least approximately RMB15,792,291 (equivalent to approximately HK$18,003,212), including but not limited to the idle land fee of RMB2,178,800, urban land-use tax of RMB8,938,681, title deed taxes of RMB2,130,000 and land value-added tax of RMB2,544,810, for the Company to acquire and re-gain the land use right of the Property from the PRC government.

Taking into account (i) the conservative prospect of the printed circuit board market, which is no longer meaningful for the Group to proceed the Acquisition; (ii) the uncertainty for the Company to obtain land use right certificate of the Property; (iii) the significant amount of capital expenditures required for the restoration of the Property; and (iv) the termination of Acquisition would extinguish the Group's payment obligation owed to Majestic Wealth which represents approximately 36.3% of the bank balances and cash held by the Group as at 31 December 2009, we consider that the entering into the Termination Agreements represents the best alternative for the Company to exit from acquiring the unnecessary Property with unclear title and also enables the Group to concentrate on its businesses that would not cause substantial strain on the Group's cash reserves, and that it is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Termination Agreements

Pursuant to the terms of the Termination Agreements, the Company, Majestic Wealth and Topsearch Tongliao agreed to unwind the Acquisition at the Fee of RMB350,000 (equivalent to approximately HK$399,000) by (i) terminating the transfer of the Property to the Group; (ii) extinguishing the Group's payment obligation in respect of the remaining cash consideration of RMB18,303,502 (equivalent to approximately HK$20,865,992) in relation to the Acquisition; and (iii) repurchasing and canceling the Repurchased Shares.

Pursuant to the Termination Agreements, the provision in the Main Acquisition Agreement relating to the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth will not be terminated.

(i) Basis of consideration

Pursuant to the Termination Agreements, the Company will pay Majestic Wealth the Fee of RMB350,000 (equivalent to approximately HK$399,000),and to be settled in cash upon Completion, which will be or shall be deemed to be in full and final settlement to extinguish in full (a) the transfer of the Property to the Group; (b) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) in relation to the Acquisition, representing approximately 36.3% of the bank balances and cash held by the Group as at 31 December 2009; and (c) the payment of RMB52,696,498 (equivalent to approximately HK$60,074,008) by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price. As disclosed in the Letter from the Board, the Fee has been agreed among the Company, Majestic Wealth and Topsearch Tongliao after arm's length negotiations taken into account the possible return on investment which Majestic Wealth would have received had the outstanding balance of RMB18,303,502 (equivalent to approximately HK$20,865,992) been paid on or before 31 December 2008.

Based on the annual report of the Company for the year ended 31 December 2009 (the "**2009 Annual Report**"), we note that the Fee of RMB350,000 (equivalent to approximately HK$399,000), which will be settled in cash by the Company's internal resources, only accounted for approximately 0.69% of the HK$57,547,000 cash reserves held by the Group as at 31 December 2009. Accordingly, we are of the view that the Fee is insignificant and the cash reserves of the Group remains healthy after payment of the Fee. To further assess the fairness and reasonableness of the Fee of RMB350,000 (equivalent to approximately HK$399,000), we also made reference to the calculation on the outstanding balance of approximately RMB18,303,502 (equivalent to approximately HK$20,865,992) originally payable on or before 31 December 2008 with the relevant one-year benchmark deposit rate of 2.25% effective from 23 December 2008 and noted that the Fee represents a discount of approximately 15% as compared to the estimated return on investment of approximately RMB411,829 (equivalent to approximately HK$469,485) which

Majestic Wealth should have received assuming the Company had paid the outstanding balance to Majestic Wealth on or before 31 December 2008. Having considered that (i) the Fee is determined among the parties after arm's length negotiations; (ii) the amount of Fee is insignificant and the cash reserves of the Group remains healthy after payment of the Fee; (iii) the obligation for the payment of outstanding balance of RMB18,303,502 (equivalent to approximately HK$20,865,992), representing approximately 36.3% of the cash and cash equivalents held by the Group as at 31 December 2009, will be extinguished upon Completion; and (iv) as compensation to Majestic Wealth, the Fee is at 15% discount to the estimated return on investment which Majestic Wealth should have received assuming the outstanding balance had been paid on or before 31 December 2008, we are of the view that the Fee is fair and reasonable insofar as the Disinterested Shareholders are concerned.

(ii) Terms of the Securities Repurchase

The Reference Price

The Reference Price of HK$0.58 per Share represents:

(a) the Issue Price;

(b) a premium of approximately 41.46% over the closing price of HK$0.41 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 46.84% to the closing price of HK$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(d) a premium of approximately 45.36% over the average of the closing prices as quoted on the Stock Exchange of HK$0.399 per Share for the last 5 trading days up to and including the Latest Practicable Date;

(e) a premium of approximately 45.36% over the average of the closing prices as quoted on the Stock Exchange of HK$0.399 per Share for the last 10 trading days up to and including the Latest Practicable Date;

(f) a premium of approximately 51.04% over the average of the closing prices as quoted on the Stock Exchange of HK$0.384 per Share for the last 30 trading days up to and including the Latest Practicable Date;

(g) a discount of approximately 46.30% to the audited NAV per Share of approximately HK$1.08 as at 31 December 2009 (based on the Company's latest audited net assets of approximately HK$1,078.1 million as at 31 December 2009 as contained in the 2009 Annual Report and total number of 1,000,000,000 Shares); and

(h) a discount of approximately 48.67% to the unaudited NAV per Share of approximately HK$1.13 as at 30 June 2009 (based on the Company's latest unaudited net assets of approximately HK$1,134.2 million as at 30 June 2009 as contained in the interim report for the six months ended 30 June 2009 and total number of 1,000,000,000 Shares).

As illustrated above, the Company has adopted the Reference Price of HK$0.58 which is the same price as the Issue Price for the basis of repurchasing and canceling the Repurchase Shares. The Company considers it appropriate to adopt the same price under the Acquisition Agreement and the Termination Agreements as both are related to the same subject matter. Pursuant to the Termination Agreements, the Fee of RMB350,000 (equivalent to approximately HK$399,000) will extinguish, among other things, the payment of RMB52,696,498 (equivalent to approximately HK$60,074,008) by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price. Hence, the Reference Price shall not be construed to the unit price that the Company or Topsearch Tongliao need to pay for each of the Repurchased Share. In view that the Company's intention behind the Termination Agreements is to unwind the Acquisition and the Reference Price for repurchasing and canceling the Repurchased Shares equals to the Issue Price, in this regard, we are of the view that it is not appropriate or practicable to evaluate the Reference Price of HK$0.58 on a stand alone basis without taking into account factors, such as the rationale to unwind the Property and the magnitude of the Fee to extinguish, among other things, the payment obligation for the Securities Repurchase. As such we consider the Reference Price, being the same price as the Issue Price, is fair and reasonable and the Securities Repurchase, payment obligation of which will be distinguished by the Fee, is in the interests of the Company and the Shareholders as a whole.

Having considered the above and taking into account of the components, including the terms of the Termination Agreements and the financial effects as a result of the Completion of the Termination Agreements (details of which are set out in the section headed "Financial effects of the Termination Agreements" below), we are of the view that the terms of the Termination Agreements as a whole are fair and reasonable as far as the Disinterested Shareholders are concerned.

3. Financial Effects of the Termination Agreements

(i) Effect on net asset value per Share

The Company issued and allotted 93,400,000 Shares at HK$0.58 each, totalling HK$54,172,000 (equivalent to approximately RMB52,696,498) to Majestic Wealth as part of the consideration for the Acquisition. The sum has been booked as "deposit paid for land lease" in the financial statement and inflated to HK$59,882,000 as at the balance sheet date of 31 December 2008 due to the appreciation in RMB. On 10 October 2009, the PRC government, pursuant to the Rules of Idle Land, resumed the Property as the Property has been idled for a significant period of time. Accordingly, the deposit paid for land lease of the Property was reclassified to other receivable of the Company. For the year ended 31 December 2009, the Group recognised an impairment loss of HK$28,126,000 in relation to other receivable by reference to the fair value of the underlying shares of the Company which the Group expected to receive as return of the deposit at the balance sheet date. It follows that when the repurchase and cancellation of the Repurchased Shares are completed, the whole amount of such other receivable for HK$31,756,000 will be charged against the share capital and share premium accounts of the Company where further impairment loss may be recorded dependent upon the actual market price of the underlying shares at the date of effecting the Securities Repurchase.

The audited net asset value of the Group as at 31 December 2009 was approximately HK$1,078.1 million. Based on 1,000,000,000 Shares in issue as at the Latest Practicable Date, the net asset value per Share before Completion was approximately HK$1.08. Assuming there will be no change in the number of issued Shares other than the effect of the Securities Repurchase, the net asset value per Share will increase to approximately HK$1.19 as a result of the Securities Repurchase.

(ii) Loss per Share

As set out in the 2009 Annual Report, the loss attributable to the equity holders of the Company for the year ended 31 December 2009 was approximately HK$95.02 million (taking into account, among other things, an impairment loss of HK$28,126,000, being the difference between the deposit paid for land lease related to the Acquisition of HK$59,882,000 as at 31 December 2008 and other receivable of HK$31,756,000 as at 31 December 2009 mentioned in (i) Effect on net asset value per Share above). Further, as advised by the auditors of the Company, the amount of impairment loss is subject to change based on the actual market price per Share at the share purchase date. For illustration purpose only, calculated with the closing price of the Shares of HK$0.395 as at the Latest Practicable Date, the impairment loss amounted to HK$22,989,000.

Based on 1,000,000,000 Shares in issue as at 31 December 2009, the loss per Share is approximately HK$0.095. As the number of issued Shares will be decreased from 1,000,000,000 Shares to 906,600,000 Shares as a result of cancellation of the Repurchased Shares, loss per Share of the Group will be increased from HK$0.095 to HK$0.105 after Completion.

(iii) Effect on working capital and gearing

Since the Fee will be satisfied in cash by the Company's internal resources, the working capital of the Group would decrease as a result of payment of the Fee upon Completion. Given that the amount of Fee is insignificant and the Securities Repurchase is at no consideration, it is not expected to have any immediate material adverse effect to the working capital of the Group as a result of the Termination Agreements. As advised by the Directors, the impairment loss of HK$28,126,000 and other receivable of HK$31,756,000 as mentioned above will not involve any cash outflow or inflow.

Based on the 2009 Annual Report, the gearing ratio of the Group (net debt over total equity plus net debt) as at 31 December 2009 was approximately 40.04%. After Completion, given the net asset value of the Group will decrease after payment of the Fee, the gearing ratio of the Group will increase accordingly.

Despite of the increase in loss per Share and gearing ratio of the Group as well as the decrease in the Group's working capital upon Completion, there will be increase in the net asset value per Share and would not have any immediate material adverse effect to the working capital of the Group. On balance, we consider that the Securities Repurchase has an overall positive financial effect to the Group and is in the interests of the Company and the Shareholders as a whole.

4. Effects on the shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion, assuming that there will be no change in the issued share capital and the shareholding structure of the Company from the Latest Practicable Date up to and including the date of Completion:

	As at the Latest Practicable Date		**Immediately after Completion**	
	Number of Shares	*Approximate percentage (%)*	*Number of Shares*	*Approximate percentage (%)*
Inni International Inc. *(Note 1)*	510,250,000	51.03	510,250,000	56.28
Kingboard Group (*Note 2)*	206,992,000	20.69	206,992,000	22.83
Public Shareholders				
Majestic Wealth	93,400,000	9.34	—	—
Other public Shareholders	189,358,000	18.94	189,358,000	20.89
Total	1,000,000,000	100.00	906,600,000	100.00

Notes:

(1) As at the Latest Practicable Date, 510,250,000 Shares are being held as to 432,000,000 Shares by Inni International Inc., representing approximately 43.20% of the issued share capital of the Company and 78,250,000 Shares by Mr. Cheok Ho Fung, representing approximately 7.83% of the issued share capital of the Company. Inni International Inc is owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his wife, Mrs. Cheok Chu Wai Min.

(2) As at the Latest Practicable Date, 206,992,000 Shares are being held as to 204,024,000 Shares by Kingboard Investments Limited, 202,000 Shares by Kingboard Laminates Limited and 2,766,000 Shares by Kingboard Chemical Holdings Limited (collectively the "Kingboard Group"), representing approximately 20.40%, 0.02% and 0.27% of the issued share capital of the Company respectively. Kingboard Investments Limited and Kingboard Laminates Limited are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited.

Following Completion, the Repurchase Shares will be cancelled and the number of Shares in issue following the Securities Repurchase will be reduced from 1,000,000,000 (being the number of Shares in issue as at the Latest Practicable Date) to 906,600,000 Shares. The Disinterested Shareholders should note that notwithstanding the increase in the shareholding in the Company of Inni International Inc. from approximately 51.03% to approximately 56.28%, the shareholding interests of all Shareholders, other than Majestic Wealth which will cease to hold any Shares upon Completion, in the Company will increase proportionately, which will benefit the Disinterested Shareholders who wish to retain their shareholdings in the Company upon Completion. As a result of the Securities Repurchase, less than 25% of the issues Shares will remain in the public hands. The Directors have confirmed that, upon Completion, the Company will try its best endeavor to restore a sufficient public float of the Company's Shares by way of, including but not limited to, placing and issuance of new shares of the Company as soon as possible. As disclosed in the Letter from the Board, the aforesaid possible ways for restoration are still in a preliminary and initial stage and have not been finalised yet. Moreover, the Securities Repurchase will not result in the change of Inni International Inc. as the controlling Shareholder. Shareholders should be aware that in the event of a lapse of Termination Agreements at the SGM, dilution effect in shareholding will remain.

Based on the SFO register maintained by the Company as at the Latest Practicable Date and to the best knowledge of the Directors, having made reasonable enquiry, there is no person or group of persons acting in concert who, as a result of the transactions contemplated under the Termination Agreements (including the Securities Repurchase), will become obliged to make a general offer for all the issued Shares.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons in respect of the Termination Agreements and the transactions contemplated thereunder including the Securities Repurchase, in particular:

— the poor market condition which made the Acquisition no longer meaningful for the Group to proceed further for the development of another manufacturing plant apart from Tongliao manufacturing plant on Land A, which will commence operation in the second quarter of 2010;

— the uncertainty for the Company to obtain land use right of the Property which has been idled for a significant period of time;

— the Property, being the subject matter of the Acquisition, was resumed by the PRC government on 10 October 2009. In case of restoration of the Property, It will incur a significant amount of capital expenditures for land idle fee and other relevant taxes according to the PRC law;

— the Group's payment obligation in respect of the remaining cash consideration of RMB18,303,502 (equivalent to approximately HK$20,865,992) in relation to the Acquisition, which represents approximately 36.3% of the bank balances and cash held by the Group as at 31 December 2009, will be extinguished;

— as compensation to Majestic Wealth, the Fee is at 15% discount to the estimated return on investment which Majestic Wealth should have received assuming the outstanding balance had been paid on or before 31 December 2008;

— the cash reserves of the Group remains healthy after payment of the cash consideration of RMB350,000 (equivalent to approximately HK$399,000), which accounted for approximately 0.69% is insignificant as compared to the cash reserves of the Group as at 31 December 2009;

— the Repurchased Shares, being partial consideration for the acquisition of the Property, are repurchased for cancellation which is in line with the rationale of the Termination Agreements to unwind the Acquisition;

— Despite of the increase in loss per Share and gearing ratio of the Group as well as the decrease in the Group's working capital upon Completion, there will be increase in the NAV per Share and would not have any immediate material adverse effect to the working capital of the Group; and

— the shareholding interests of all Shareholders, other than Majestic Wealth, which will cease to hold any Shares upon Completion, in the Company will increase proportionately after Securities Repurchase.

We consider that the terms of the Termination Agreements (including the Securities Repurchase) are fair and reasonable so far as the Disinterested Shareholders are concerned, and that the Termination Agreements (including the Securities Repurchase) are in the interests if the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the special resolutions to be proposed at the SGM to approve the Termination Agreements (including the Securities Repurchase).

Shareholders should also note that the approval by the Executive of the Securities Repurchase is one of the conditions precedent to the Termination Agreements which cannot be waived, and the Executive's approval of the Securities Repurchase is conditional upon the approval of the same by at least three-forth of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the SGM. If the Securities Repurchase is not approved by the Disinterested Shareholders at the SGM, the Executive will not grant his approval for the same and the Termination Agreement will not proceed. Accordingly, we recommend the Independent Board Committee to advise the Disinterested Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Termination Agreements and the transactions (including the Securities Repurchase) contemplated thereunder.

Yours faithfully,
For and on behalf of
CSC Asia Limited

Andrew Chiu	**Bernard Wu**
Managing Director	*Director and Head of Investment Banking*

1. SUMMARY OF FINANCIAL INFORMATION

(a) Three Years Financial Summary

The following is a summary of the audited consolidated results of the Group for the three years ended 31 December 2007, 2008 and 2009 and the audited consolidated assets and liabilities of the Group as at 31 December 2007, 2008 and 2009, as extracted from each of the relevant annual reports of the Company. Ernst & Young was the auditor of the Group for the years ended 31 December 2007 and 2008 and Deloitte Touche Tohmatsu was the auditor of the Group for the year ended 31 December 2009. There was no qualification to the auditor's reports in respect of the Group's financial statements for the three years ended 31 December 2007, 2008 and 2009.

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	2009	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,189,762	1,558,810	1,614,834
Cost of sales	(1,056,167)	(1,442,597)	(1,436,196)
Gross profit	133,595	116,213	178,638
Other income	9,639	9,882	75,550
Other gains and losses	(40,267)	(55,961)	(14,008)
Other expenses	—	(38,615)	(8,151)
Selling and distribution costs	(83,921)	(109,503)	(109,815)
Administrative expenses	(70,033)	(64,119)	(78,083)
Finance costs	(40,608)	(27,596)	(42,748)
(Loss)/profit before tax	(91,595)	(169,699)	1,383
Income tax (expense)/credit	(3,425)	10,333	1,493
(Loss)/profit for the year	(95,020)	(159,366)	2,876
Other comprehensive income			
Exchange difference arising on translation	67	73,807	74,074
Deficit on revaluation of buildings	—	(10,000)	—
Other comprehensive income for the year (net of tax)	67	63,807	74,074
Total comprehensive (expense)/ income for the year	(94,953)	(95,559)	76,950
(Loss)/earnings per share			
Basic	(9.5 cents)	(15.9 cents)	0.3 cent
Diluted	N/A	(15.9 cents)	0.3 cent

Consolidated Statement of Financial Position

At 31 December

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	1,219,509	1,382,820	1,472,657
Prepaid lease payments	38,770	39,548	37,443
Interest in an associate	100	100	100
Amount due from an associate	423	458	541
Rental and utility deposits	630	647	1,966
Prepaid rent	720	931	1,069
Available-for-sale financial assets	1,961	2,247	2,051
Deposits paid for property, plant and equipment	10,482	19,882	35,926
Deposit paid for land lease	—	59,882	56,060
Deferred tax assets	7,700	7,700	—
	1,280,295	1,514,215	1,607,813
CURRENT ASSETS			
Inventories	195,200	235,301	276,044
Prepaid lease payments	910	887	837
Trade receivables	240,656	322,903	423,608
Other receivable	31,756	—	—
Prepayments, deposits and other receivables	29,823	38,496	57,296
Pledged bank deposits	43,269	155,235	943
Bank balances and cash	57,547	40,520	86,988
	599,161	793,342	845,716
CURRENT LIABILITIES			
Trade payables	208,212	412,446	426,491
Other payables and accruals	113,263	79,889	87,906
Interest-bearing bank loans	385,092	500,580	322,342
Obligations under finance leases	10,275	26,615	68,967
Shareholder's loans	12,944	—	—
Tax payable	12,190	9,306	8,763
	741,976	1,028,836	914,469
NET CURRENT LIABILITIES	(142,815)	(235,494)	(68,753)
	1,137,480	1,278,721	1,539,060

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
CAPITAL AND RESERVES			
Share capital	100,000	100,000	100,000
Reserves	978,105	1,073,058	1,168,617
	1,078,105	1,173,058	1,268,617
NON-CURRENT LIABILITIES			
Other payable	—	29,028	27,175
Interest-bearing bank loans	—	—	141,139
Obligations under finance leases	—	11,760	77,449
Shareholder's loan	47,545	47,545	—
Deferred tax liabilities	11,830	17,330	24,680
	59,375	105,663	270,443
	1,137,480	1,278,721	1,539,060

Note: Certain comparative figures of the years 2007 and 2008 have been reclassified in order to conform with the financial statements presentation of year 2009.

(b) Dividends

The Company neither paid interim dividends nor declared final dividends for each of the years ended 31 December 2007, 2008 and 2009.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements of the Group as extracted from pages 52 to 111 of the annual report of the Company for the year ended 31 December 2009.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	NOTES	**2009** *HK$'000*	**2008** *HK$'000*
Revenue	*6*	1,189,762	1,558,810
Cost of sales		(1,056,167)	(1,442,597)
Gross profit		133,595	116,213
Other income	*7*	9,639	9,882
Other gains and losses	*8*	(40,267)	(55,961)
Other expenses		—	(38,615)
Selling and distribution costs		(83,921)	(109,503)
Administrative expenses		(70,033)	(64,119)
Finance costs	*9*	(40,608)	(27,596)
Loss before tax	*10*	(91,595)	(169,699)
Income tax (expense) credit	*13*	(3,425)	10,333
Loss for the year		(95,020)	(159,366)
Other comprehensive income	*14*		
Exchange difference arising on translation		67	73,807
Deficit on revaluation of buildings		—	(10,000)
Other comprehensive income for the year (net of tax)		67	63,807
Total comprehensive income for the year		(94,953)	(95,559)
Loss per share	*15*		
Basic		9.5 cents	15.9 cents
Diluted		N/A	15.9 cents

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,219,509	1,382,820
Prepaid lease payments	17	38,770	39,548
Interest in an associate	18	100	100
Amount due from an associate	18	423	458
Rental and utility deposits		630	647
Prepaid rent		720	931
Available-for-sale financial assets	19	1,961	2,247
Deposits paid for property, plant and equipment		10,482	19,882
Deposit paid for land lease	20	—	59,882
Deferred tax assets	31	7,700	7,700
		1,280,295	1,514,215
CURRENT ASSETS			
Inventories	21	195,200	235,301
Prepaid lease payments	17	910	887
Trade receivables	22	240,656	322,903
Other receivable	20	31,756	—
Prepayments, deposits and other receivables		29,823	38,496
Pledged bank deposits	23	43,269	155,235
Bank balances and cash	23	57,547	40,520
		599,161	793,342
CURRENT LIABILITIES			
Trade payables	24	208,212	412,446
Other payables and accruals	30	113,263	79,889
Interest-bearing bank loans	25	385,092	500,580
Obligations under finance leases	26	10,275	26,615
Shareholder's loans	27	12,944	—
Tax payable		12,190	9,306
		741,976	1,028,836
NET CURRENT LIABILITIES		(142,815)	(235,494)
		1,137,480	1,278,721

	NOTES	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	28	100,000	100,000
Reserves	29	978,105	1,073,058
		1,078,105	1,173,058
NON-CURRENT LIABILITIES			
Other payable	30	—	29,028
Obligations under finance leases	26	—	11,760
Shareholder's loan	27	47,545	47,545
Deferred tax liabilities	31	11,830	17,330
		59,375	105,663
		1,137,480	1,278,721

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Property revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserve fund HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000
At 1 January 2008	100,000	360,056	19,000	28,351	108,428	26,048	626,734	1,268,617
Loss for the year	–	–	–	–	–	–	(159,366)	(159,366)
Other comprehensive (expense) income for the year	–	–	–	(10,000)	73,807	–	–	63,807
Total comprehensive (expense) income for the year	–	–	–	(10,000)	73,807	–	(159,366)	(95,559)
Transfer to the statutory reserve fund	–	–	–	–	–	3,960	(3,960)	–
At 31 December 2008 and 1 January 2009	100,000	360,056	19,000	18,351	182,235	30,008	463,408	1,173,058
Loss for the year	–	–	–	–	–	–	(95,020)	(95,020)
Other comprehensive income for the year	–	–	–	–	67	–	–	67
Total comprehensive (expense) income for the year	–	–	–	–	67	–	(95,020)	(94,953)
At 31 December 2009	100,000	360,056	19,000	18,351	182,302	30,008	368,388	1,078,105

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the group reorganisation, over the nominal value of the Company's share issued in exchange.

(b) Statutory reserve fund was appropriated each year on the basis of 10% of the profit after taxation of certain subsidiaries established in the People's Republic of China as determined by their board of directors in accordance with the Articles of Association of the subsidiaries. This fund should only be used for making up losses, capitalisation into capital and expansion of production and operation.

Consolidated Statement of Cash Flows
For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(91,595)	(169,699)
Adjustments for:		
Depreciation of property, plant and equipment	164,463	181,918
Interest income	(671)	(1,436)
Gain on disposal of an available-for-sale financial asset	(43)	—
Finance costs	40,608	27,596
Loss on disposal of property, plant and equipment	887	515
Release of prepaid lease payments	755	691
Allowance for obsolete inventories	12,917	2,010
(Reversal of) allowance of doubtful debts	(489)	7,119
Revaluation deficit of buildings	—	16,600
Impairment loss of property, plant and equipment	6,465	33,400
Impairment loss of other receivable	28,126	—
Operating cash flows before movements in working capital	161,423	98,714
Decrease in rental and utility deposits	17	1,397
Decrease in prepaid rental	211	211
Decrease in inventories	27,184	43,449
Decrease in trade receivable	82,736	93,586
Decrease in prepayments, deposits and other receivables	8,673	17,165
Decrease in amount due from an associate	35	83
Decrease in trade payables	(204,234)	(32,281)
Increase (decrease) in other payables and accruals	4,346	(12,763)
Cash generated from operations	80,391	209,561
Income tax paid	(6,041)	(3,583)
NET CASH FROM OPERATING ACTIVITIES	74,350	205,978

	2009	2008
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Interest received	671	1,436
Proceeds from disposal of property, plant and equipment	29,138	646
Purchase of property, plant and equipment	(17,272)	(31,489)
Additions to prepaid lease payments	—	(630)
Deposits paid for property, plant and equipment	(10,482)	(19,882)
Decrease (increase) in pledged bank deposits	111,966	(154,292)
Proceed from disposal (purchase) of available-for-sale financial assets	329	(196)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	114,350	(204,407)
FINANCING ACTIVITIES		
New bank loans	385,092	585,522
Repayment of bank loans	(500,580)	(505,378)
New shareholder's loans	12,944	47,545
Decrease in trust receipt loans	—	(43,045)
Interest paid	(40,209)	(21,646)
Interest paid for obligations under finance leases	(399)	(5,950)
Repayment of obligations under finance leases	(28,100)	(108,041)
NET CASH USED IN FINANCING ACTIVITIES	(171,252)	(50,993)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,448	(49,422)
Effect of foreign exchange rate changes	(421)	2,954
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	40,520	86,988
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	57,547	40,520

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider that the holding company and its ultimate holding company is Inni International Inc, which is incorporated in Liberia. Its ultimate controlling party is Mr. Cheok Ho Fung. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 38.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK$95,020,000 during the year ended 31 December 2009 and, as of that date, the Group's total assets exceeded its current liabilities by HK$1,137,480,000 and current liabilities exceeded its current assets by HK$142,815,000.

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

(a) subsequent to the end of the reporting period, the Group signed a strategic cooperative agreement with a bank in the People's Republic of China ("PRC"). The PRC bank agreed, subject to final approval, to grant to the Group total banking and trade facilities of RMB600,000,000 in the next two years wherein not less than RMB150,000,000 would be repayable over one year. The banking and trade facilities will be used to replace the existing banking facility of RMB290,000,000 granted by the same bank, which will expire in September 2010. The directors of the Company believe that the exact terms and conditions of the new facilities arrangement pertaining to the aforementioned strategic cooperative agreement can be agreed with the bank shortly;

(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;

(c) the Group has been implementing various sales strategies to reduce the Group's losses; and

(d) the controlling shareholder of the Company has undertaken not to demand for repayment of the shareholder's loans, amounting to HK$60,489,000 as disclosed in Note 27 as at 31 December 2009, until the Group has cash and liquidity in excess of its funding for daily operations.

The directors of the Company consider that after taking into account the above and the banking facilities available to the Group as at 31 December 2009, the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("HK(IFRIC)-Int") ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	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 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the basis of information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segment as compared with the primary reportable segments determined in accordance with HKAS 14.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendment also expands and amends the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[7]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopers[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-Time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 February 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "*Financial instruments*" introduces new requirements for the classification and measurement of financial assets that will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "*Business Combinations*" are recognised at their fair values at the acquisition date.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has been passed.

Tooling income is recognised when the relevant services are rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress represents a property, plant and equipment under construction or installation, which is carried at cost less any recognised impairment loss and is not depreciated. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Prepaid lease payments

The costs of prepaid lease payments are released to profit or loss on a straight line basis over the term of the relevant leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Exchange differences in relation to foreign operation are recognised in profit or loss in the period in which the foreign operations is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Raw materials are valued on a weighted average basis. Work in progress and finished goods are valued at standard cost which approximates to the actual cost determined on a weighted average basis and comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from an associate, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the equity is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delay payments in the portfolio past the credit period, observable changes in economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities of the Group include trade payables, other payables, interest-bearing bank loans and shareholder's loans. Financial liabilities of the Group are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. When employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments, these are equity-settled share-based payment transactions.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity.

At the time when the share options are exercised, the amount previously recognised in equity will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity will be transferred to retained profits.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation of useful lives of property, plant and equipment

Items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives after taking into account the estimated residual values. The estimated useful lives are based on the expected lives of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical obsolescence. When the actual useful lives of property, plant and equipment due to the change of commercial and technological environment, are different from their estimated useful lives, such difference will impact the depreciation charges.

Impairment of property, plant and equipment other than buildings

The Group assesses annually whether property, plant and equipment other than building have any indication of impairment, in accordance with the relevant accounting policies. The recoverable amounts of property, plant and equipment other than buildings have been determined based on value in use calculations. These calculations and valuations require the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows is different from the original estimate, a material change in the amount of impairment may arise.

Fair value of buildings

As described in note 16, the buildings were revalued at the end of the reporting date using the depreciated replacement cost approach by independent qualified valuers. Based on the valuation at 31 December 2009, no increase or decrease in valuation was recognised in relation to the buildings. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, the Group considers information from the aggregate amount of the new replacement cost of the buildings and other site works and deductions may be made to allow for the age, condition, economic or functional obsolescence and environmental factor existing at the end of each reporting date.

Impairment of trade receivables

The policy for provision for impairment loss of trade receivables of the Group is based on the evaluation of collectability and the aged analysis of the trade receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying value of the Group's trade receivables as at 31 December 2009 was HK$240,656,000 (2008: HK$322,903,000), net of accumulated allowance for doubtful debts amounting to HK$6,630,000 (2008: HK$7,119,000)

Deferred tax assets

The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future profits generated and the taxable temporary differences available are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. As at 31 December 2009, deferred tax asset of HK$8,500,000 (2008: HK$8,500,000) and HK$1,588,000 (2008: HK$1,788,000) in relation to impairment of property, plant and equipment and tax losses, respectively, have been recognised in the Group's consolidated statement of financial position. However, no deferred tax asset has been recognised on the tax losses of HK$231,587,000 (2008: HK$ 113,960,000) due to the unpredictability of future profit streams.

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting)* required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

No segment information is presented as the manufacture and sale of printed circuit boards is the only major operating segment of the Group. The Group's chief operating decision maker (the Chief Executive Officer of the Group) regularly reviews the consolidated result of the Group as a whole for the purposes of resource allocation and assessment of performance. The Group considered that there is only one operating segment with the segment revenue, segment results, segment assets and segment liabilities equal the revenue, loss for the year, total assets and total liabilities respectively as reported in the consolidated financial statements.

(a) Geographical information

The following table provides an analysis of the Group's sales by geographical market based on the location of customers attributed to the group entities:

	2009	**2008**
	HK$'000	*HK$'000*
Malaysia	274,589	233,592
Singapore	241,553	372,693
The PRC	233,242	238,980
Hong Kong	151,716	185,005
Korea	85,815	55,674
Germany	40,729	56,334
Taiwan	40,523	52,463
United States of America	37,677	71,576
Others	83,918	292,493
	1,189,762	1,558,810

Notes:

(i) Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes, and is analysed on the basis of the customer's location.

(ii) Non-current assets other than interest in an associate, amount due from an associate, available-for-sale financial assets and deferred tax assets amounting to HK$1,270,111,000 (2008: HK$1,503,710,000) are located in the entities' country of domicile, the PRC.

(b) Information about major customers

Revenues from customers contributing over 10% of the total sales of the Group is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Customer A	209,970	310,634
Customer B	183,391	N/A*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

7. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income	671	1,436
Government grants *(Note)*	3,027	—
Others	1,656	890
Tooling income	4,285	7,556
	9,639	9,882

Note: The government grants represent reimbursement of other taxes and duties paid under a concession policy in Shaoguan, PRC.

8. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Gain on disposal of an available-for-sale financial asset	43	—
Impairment loss of property, plant and equipment *(Note 16)*	(6,465)	(33,400)
Impairment loss of other receivable *(Note 20)*	(28,126)	—
Loss on disposal of property, plant and equipment	(887)	(515)
Net exchange (loss) gain	(5,321)	1,673
Revaluation deficit of buildings *(Note 16)*	—	(16,600)
Reversal of (allowance) for doubtful debts *(Note 22)*	489	(7,119)
	(40,267)	(55,961)

9. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	40,132	21,087
Finance leases	399	5,950
Shareholder's loan	77	559
	40,608	27,596

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2009 *HK$'000*	2008 *HK$'000*
Auditor's remuneration	1,500	1,950
Allowance for obsolete inventories (included in cost of sales)	12,917	2,010
Cost of inventories recognised as an expense	1,056,167	1,442,597
Depreciation for property, plant and equipment	164,463	181,918
Minimum lease payments under operating leases on land and buildings	7,383	7,547
Release of prepaid lease payments	755	691
Staff costs (excluding directors' remuneration *(Note 11)*)		
Wages and salaries	159,648	204,297
Provision for termination pay	11,280	30,205
Retirement benefit scheme contributions	9,649	9,378
Less: Forfeited contributions	(146)	(441)
	180,431	243,439

11. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2008: nine) directors were as follows:

	Fee *HK$'000*	Salaries and other benefits *HK$'000*	Contribution to retirement benefit scheme *HK$'000*	Total *HK$'000*
2009				
Executive directors:				
Cheok Ho Fung, Peter	—	4,665^	139	4,804
Liu Wai On, Eric	120	624	36	780
Kwok Chi Kwong, Danny	25	314	20	359
Tong Chi Wing, Nelson*	—	—	—	—
	145	5,603	195	5,943
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
	240	—	—	240
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
Xiang Dong	120	—	—	120
	480	—	—	480

	Fee	Salaries and other benefits	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2008				
Executive directors:				
Cheok Ho Fung, Peter	—	4,748^	277	5,025
Liu Wai On, Eric	108	717	66	891
Kwok Chi Kwong, Danny	108	812	75	995
Tong Chi Wing, Nelson*	40	169	17	226
	256	6,446	435	7,137
Non-executive directors:				
Tang Yok Lam, Andy	108	—	—	108
Ng Kwok Ying, Alvin	108	—	—	108
	216	—	—	216
Independent non-executive directors:				
Leung Shu Kin, Alfred	108	—	—	108
Wong Wing Kee	108	—	—	108
Ng Kee Sin	108	—	—	108
Xiang Dong	108	—	—	108
	432	—	—	432

* Tong Chi Wing, Nelson resigned on 30 April 2008.

^ Included in the amount is rental and management fee paid to a company beneficially owned by Mr. Cheok Ho Fung, Peter.

No emolument was paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during both years. No directors waived any of their emolument for both years.

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, two (2008: three) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining three (2008: two) individuals were as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	1,953	1,943
Contribution to retirement benefit scheme	104	179
	2,057	2,122

Their emoluments were within the following brands:

	2009	2008
	HK$'000	*HK$'000*
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	—	1
	3	2

No emolument was paid to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

13. INCOME TAX EXPENSE (CREDIT)

	2009	2008
	HK$'000	*HK$'000*
The income tax expense (credit) comprises:		
PRC Enterprise Income Tax		
Current year	7,385	4,117
Under-provision in prior years	1,540	—
Deferred taxation *(Note 31)*	(5,500)	(14,450)
	3,425	(10,333)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years. No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the People's Republic of China (the PRC), the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in tax rate for the next three years. The 50% tax relief started from 2008.

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2009 *HK$'000*	2008 *HK$'000*
Loss before tax	(91,595)	(169,699)
Tax at the statutory tax rate of 25%	(22,899)	(42,425)
Income tax at concessionary rate	(7,358)	(5,324)
Tax effect of exemption granted to a Macau subsidiary	(3,057)	—
Tax effect of income not taxable for tax purpose	(23,647)	—
Tax effect of expenses not deductible for tax purpose	19,735	8,926
Tax effect of tax losses not recognised	29,407	28,490
Under-provision in prior years	1,540	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,929	—
Tax effect of other deductible temporary differences not recognised	6,521	—
Others	254	—
Income tax expense (credit) for the year	3,425	(10,333)

14. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income

	2009			2008		
	Before-tax amount *HK$'000*	**Tax (expense) benefit** *HK$'000*	**Net-of-tax amount** *HK$'000*	**Before-tax amount** *HK$'000*	**Tax benefit** *HK$'000*	**Net-of-tax amount** *HK$'000*
Exchange differences arising on translation	67	—	67	73,807	—	73,807
Deficit on revaluation of buildings	—	—	—	(10,600)	600	(10,000)
	67	—	67	63,207	600	63,807

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following:

	2009 HK$'000	2008 HK$'000
Loss:		
Loss for the purposes of basic (2008: basic and diluted) loss per share	(95,020)	(159,366)
Number of shares:		
Number of shares for the purposes of basic (2008: basic and diluted) loss per share	1,000,000,000	1,000,000,000

Diluted loss per share for the year ended 31 December 2008 did not assume the exercise of the warrants because inclusion of the warrants in the calculation of diluted loss per share would result in a decrease in loss per share. There were no potential ordinary shares in issue during the year and as at 31 December 2009.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Moulds, dies, test fixtures and pins HK$'000	Total HK$'000
At 31 December 2009								
At 1 January 2009:								
Cost or valuation	448,402	321,802	150,282	1,686,323	95,529	14,961	214,038	2,931,337
Accumulated depreciation	–	(229,255)	–	(1,012,792)	(83,176)	(10,081)	(213,213)	(1,548,517)
Carrying amount	448,402	92,547	150,282	673,531	12,353	4,880	825	1,382,820
At 1 January 2009, carrying amount	448,402	92,547	150,282	673,531	12,353	4,880	825	1,382,820
Additions	–	28	2,831	22,524	4,150	17	7,604	37,154
Disposals	(10,321)	(8,065)	(765)	(5,180)	(5,452)	(139)	(103)	(30,025)
Depreciation provided during the year	(9,140)	(23,565)	–	(124,497)	(2,375)	(1,586)	(3,300)	(164,463)
Impairment	–	–	–	(6,465)	–	–	–	(6,465)
Exchange realignment	–	3	–	437	22	26	–	488
At 31 December 2009, carrying amount	428,941	60,948	152,348	560,350	8,698	3,198	5,026	1,219,509
At 31 December 2009:								
Cost or valuation	438,081	308,043	152,348	1,653,594	70,771	13,829	37,550	2,674,216
Accumulated depreciation	(9,140)	(247,095)	–	(1,093,244)	(62,073)	(10,631)	(32,524)	(1,454,707)
Carrying amount	428,941	60,948	152,348	560,350	8,698	3,198	5,026	1,219,509
Analysis of cost or valuation:								
At cost	–	308,043	152,348	1,653,594	70,771	13,829	37,550	2,236,135
At 31 December 2009 valuation	438,081	–	–	–	–	–	–	438,081
	438,081	308,043	152,348	1,653,594	70,771	13,829	37,550	2,674,216

	Buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Moulds, dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008								
At 1 January 2008:								
Cost or valuation	501,170	291,132	113,876	1,607,446	92,216	16,557	194,794	2,817,191
Accumulated depreciation	(43,226)	(195,395)	—	(822,265)	(78,155)	(11,452)	(194,041)	(1,344,534)
Carrying amount	457,944	95,737	113,876	785,181	14,061	5,105	753	1,472,657
At 1 January 2008, carrying amount	457,944	95,737	113,876	785,181	14,061	5,105	753	1,472,657
Additions	5,276	11,164	36,816	6,197	596	1,510	5,856	67,415
Disposals	—	—	—	(931)	(114)	(116)	—	(1,161)
Depreciation provided during the year	(17,017)	(20,224)	—	(134,358)	(2,734)	(1,749)	(5,836)	(181,918)
Deficit on revaluation	(27,200)	—	—	—	—	—	—	(27,200)
Impairment	—	—	—	(33,400)	—	—	—	(33,400)
Transfers	380	—	(8,139)	7,731	28	—	—	—
Exchange realignment	29,019	5,870	7,729	43,111	516	130	52	86,427
At 31 December 2008, carrying amount	448,402	92,547	150,282	673,531	12,353	4,880	825	1,382,820
At 31 December 2008:								
Cost or valuation	448,402	321,802	150,282	1,686,323	95,529	14,961	214,038	2,931,337
Accumulated depreciation	—	(229,255)	—	(1,012,792)	(83,176)	(10,081)	(213,213)	(1,548,517)
Carrying amount	448,402	92,547	150,282	673,531	12,353	4,880	825	1,382,820
Analysis of cost or valuation:								
At cost	—	321,802	150,282	1,686,323	95,529	14,961	214,038	2,482,935
At 31 December 2008 valuation	448,402	—	—	—	—	—	—	448,402
	448,402	321,802	150,282	1,686,323	95,529	14,961	214,038	2,931,337

The above items of property, plant and equipment after taking into account of their estimated residual value, are depreciated on a straight line basis at the following rates per annum:

Buildings	Over the lease terms ranging from 30 to 50 years
Leasehold improvements	18%
Plant and machinery	9%
Furniture, fixtures and equipment	18%
Motor vehicles	18%
Moulds, dies, test fixtures and pins	25%

The Group's buildings are situated in the PRC and are held under medium lease terms of 30 to 50 years. At 31 December 2009, the Group's buildings with a carrying amount of approximately HK$428,941,000 (2008: HK$447,614,000) were pledged to secure the bank loans granted to the Group.

The Group's buildings stated at valuation were revalued at 31 December 2009 by DTZ Debenham Tie Leung Limited, independent qualified professional valuers. The valuation has been based on the depreciated replacement cost approach which is arrived at using the aggregate amount of the new replacement cost of the buildings, from which appropriate deductions may then be made to allow for the age, condition, functional obsolescence and environmental factor. No revaluation increase or decrease was recognised in relation to the buildings for the year 2009. In prior year, deficit on revaluation of HK$10,600,000 was charged against property revaluation reserve for certain buildings and the remaining deficit of HK$16,600,000 was charged to the profit or loss.

Had the Group's buildings been stated at historical cost less accumulated depreciation and impairment losses, their carrying amount as at 31 December 2009 would have been approximately HK$374,916,000 (2008: HK$393,744,000).

In view of the losses incurred for 2008 and the economic downturn, management has assessed the impairment on the property, plant and equipment and an impairment loss of HK$33,400,000 was recorded for certain plant and machinery as at 31 December 2008. The recoverable amount of property, plant and equipment had been determined on the basis of their value in use. The discount rate used in measuring value in use was 10.7%.

During the year ended 31 December 2009, an impairment loss of HK$6,465,000 was made to fully write down the plant and machinery due to physical damage and technical obsolescence.

As at 31 December 2009, the carrying amount of the Group's property, plant and equipment held under finance leases amounted to HK$35,951,000 (2008: HK$99,471,000). These items of plant and machinery were pledged to the respective banks as security for the finance lease facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise of land use rights in the PRC on a lease term ranging from 30 to 50 years:

	2009	**2008**
	HK$'000	*HK$'000*
Analysed for reporting purposes as		
Current asset	910	887
Non-current asset	38,770	39,548
	39,680	40,435

As at 31 December 2009, certain of the Group's land use rights with a carrying amount of approximately HK$20,979,000 (2008: HK$21,518,000) was pledged to secure the bank loans granted to the Group.

18. INTEREST IN AN ASSOCIATE

	2009 *HK$'000*	2008 *HK$'000*
Cost of investment in an unlisted associate	100	100
Amount due from an associate	423	458

The amount due from an associate is unsecured, interest free and repayable on demand. The amount due from an associate is not expected to be repayable within the next twelve months and accordingly, the amount is classified as non-current.

Particulars of the associate as at 31 December 2009 and 2008 are as follows:

Name of company	Place of Incorporation/ operation	Form of legal entity	Class of shares held	Percentage of ownership interest indirectly held by the Group	Principal activity
Topsearch PCB Marketing (Thailand) Co., Limited	Thailand	Incorporated	Ordinary	49%	Provision of marketing services

The operating results of the associate have not been equity accounted for by the Group because the amounts were not significant.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	2009 *HK$'000*	2008 *HK$'000*
Total assets	167	257
Total liabilities	(428)	(618)
Net liabilities	(261)	(361)
Group's share of net liabilities of associates	(128)	(162)
Revenue	1,063	1,213
Loss for the year	(12)	(5)
Group's share of losses of the associate for the year	(6)	(2)

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	HK$'000	*HK$'000*
Club debentures, at fair value	1,961	2,247

The fair values of the club debentures are based on recent transaction prices.

20. DEPOSIT PAID FOR LAND LEASE/OTHER RECEIVABLE

As at 31 December 2008, the deposit paid for land lease related to the acquisition of two parcels of industrial land located in the Tongliao Economic Development Zone, Inner Mongolia, the PRC, of RMB52,696,498, equivalent to approximately HK$59,882,000.

Pursuant to the land acquisition agreement, the Group has conditionally agreed to acquire the above land from Majestic Wealth Limited (the "Majestic Wealth"), a company incorporated in Samoa and a substantial shareholder of the Company, for a consideration of RMB71,000,000 (equivalent to approximately HK$73,644,000). The Company has made an initial payment of RMB52,696,498 (equivalent to approximately HK$59,900,000) by issuing 93,400,000 new ordinary shares of the Company ("Consideration Shares") at HK$0.58 per share on 23 August 2007. The outstanding balance of RMB18,303,502 (equivalent to approximately HK$20,799,000) as at 31 December 2008, to be settled on or before 31 December 2008 (subsequently revised to 31 December 2010 pursuant to a supplementary agreement) has been disclosed as a commitment in note 35.

On 10 October 2009, the PRC government, pursuant to the Rules of Idle Land, resumed the above land as the land has been idle for a significant period of time. Accordingly, the deposit paid for land lease was reclassified to other receivable. During the year ended 31 December 2009, the Group recognised an impairment loss of HK$28,126,000 in relation to the other receivable by reference to the fair value of the underlying shares of the Company which the Group expected to receive as return of the deposit.

On 17 February 2010, the Group and Majestic Wealth entered into a termination agreement to formally unwind the acquisition of two parcels of industrial land located in Tongliao Economic Development Zone, Inner Mongolia, the PRC. Details are disclosed in Note 40.

21. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw material and consumables	103,479	111,024
Work in progress	35,068	22,423
Finished goods	93,231	125,515
	231,778	258,962
Less: Allowance for obsolete inventories	(36,578)	(23,661)
	195,200	235,301

22. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	247,286	330,022
Less: Allowance for doubtful debts	(6,630)	(7,119)
	240,656	322,903

The Group's trade receivables are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

	2009	2008
	HK$'000	*HK$'000*
Denominated in United States dollars	240,656	322,360
Denominated in Euro dollars	—	543

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. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	89,401	83,769
31-60 days	89,413	108,864
61-90 days	47,430	76,091
Over 90 days	14,412	54,179
	240,656	322,903

72% (2008: 66%) of the trade receivables that are neither past due nor impaired have good settlement repayment history.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$66,309,000 (2008: HK$110,107,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2009	2008
	HK\$'000	*HK\$'000*
0-30 days	49,494	74,763
31-90 days	9,931	34,769
Over 90 days	6,884	575
	66,309	110,107

Trade receivables that are past due but not impaired relate to a number of independent customers that did not have default payment history with the Group. Based on past experience, the directors of the Company are of the opinion that no 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.

Movement in allowance for doubtful debts

	2009	2008
	HK\$'000	*HK\$'000*
At beginning of the year	7,119	—
(Reversal of) impairment losses recognised	(489)	7,119
At end of the year	6,630	7,119

The Group has assigned its trade receivables of HK\$247,286,000 (2008: HK\$330,022,000) to secure the bank loans granted to the Group.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances carry interest at prevailing deposit rates which range from 0.001% to 0.36% (2008: 0.07% to 0.65%) per annum. The pledged bank deposits carry interest at prevailing deposit rates which range from 0.1% to 0.36% (2008: 0.01% to 0.65%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure short-term loans and are therefore classified as current assets.

The Group's pledged bank deposits and bank balances that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2009	2008
	HK\$'000	*HK\$'000*
Denominated in Hong Kong dollars	409	421
Denominated in United States dollars	51,968	63,757
Denominated in Euro dollars	1,558	730

24. TRADE PAYABLES

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2009	2008
	HK$'000	*HK$'000*
0-30 days	68,228	60,380
31-60 days	59,426	104,157
61-90 days	34,235	60,056
Over 90 days	46,323	187,853
	208,212	412,446

The Group's trade payables that are denominated in a currency other than the functional currencies of the relevant group entities are set out below:

	2009	2008
	HK$'000	*HK$'000*
Denominated in United States dollars	101,656	198,993
Denominated in Euro dollars	—	406

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

25. INTEREST-BEARING BANK LOANS

	2009	2008
	HK$'000	*HK$'000*
Secured bank loans repayable within one year or on demand	385,092	500,580

The bank loans of the Group are secured by certain buildings and leasehold land held by the Group and the assignment of trade receivables. All bank loans carried floating interest rates and the effective interest rates ranged from 5.0% to 5.84% (2008: 4.86% to 8.22%) per annum.

In addition, Keentop Investment Limited ("Keentop"), which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, has mortgaged a property to secure the Group's bank loans up to HK$70,000,000 (2008: HK$183,728,000) at the end of reporting period.

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 2009, such covenants were breached by the Group but since the outstanding loans under these banking facilities at the end of the reporting period of HK$70,000,000 were due for repayment within one year, no reclassification or adjustment was necessary. Subsequent to the end of the reporting period, the loan of HK$70,000,000 was repaid and accordingly the pledge of property was released.

The Group's bank loan that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2009	2008
	HK$'000	*HK$'000*
Denominated in United States dollars	19,501	—

26. OBLIGATIONS UNDER FINANCE LEASES

	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	10,275	26,615
Non-current liabilities	—	11,760
	10,275	38,375

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is one year (2008: one month to three years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.25% to 2.25% (2008: HIBOR plus 1.25% to 2.25%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	10,340	27,385	10,275	26,615
In more than one year but not more than two years	—	10,036	—	9,883
In more than two years but not more than five years	—	1,906	—	1,877
	10,340	39,327	10,275	38,375
Less: Future finance charges	(65)	(952)	N/A	N/A
Present value of lease obligations	10,275	38,375	10,275	38,375
Less: Amount due for settlement within 12 months (shown under current liabilities)			(10,275)	(26,615)
Amount due for settlement after 12 months			—	11,760

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

27. SHAREHOLDER'S LOANS

	2009	2008
	HK$'000	*HK$'000*
Unsecured loan from a controlling shareholder:		
— interest free and repayable on demand	12,944	—
— interest bearing at HIBOR and repayable on 2 January 2010	—	47,545
— interest bearing at HIBOR and repayable on 2 January 2011	47,545	—
	60,489	47,545

The shareholder's loans were advanced by Mr Cheok Ho Fung, Peter, a director and controlling shareholder of the Company, pursuant to the loan agreement dated 1 June 2008 and a supplementary loan agreement dated 31 December 2009. The effective interest rate of the loan of HK$47,545,000 (2008: HK$47,545,000) is 0.16% (2008: 1.18%) per annum.

Subsequent to the end of the reporting period, the above loans were not repaid as the shareholder undertake not to demand for repayment of the shareholder's loans, amounting to HK$60,489,000 as disclosed in the consolidated financial statements as at 31 December 2009, until the Group has cash and liquidity in excess of their funding for daily operations.

28. SHARE CAPITAL

	2009 & 2008
	HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.10 each	200,000
Issued and fully paid:	
1,000,000,000 ordinary shares of HK$0.10 each	100,000

Warrants

On 5 June 2006, a bonus issue of warrants was made in the proportion of one warrant for every 10 shares held by the members on the register of members on 5 June 2006, resulting in 85,455,000 warrants being issued. Each warrant entitled the holder thereof to subscribe for one ordinary share of HK$0.1 at a subscription price of HK$1.20 per share, payable in cash and subject to adjustment from 26 June 2006 to 31 October 2008. None of the warrants were exercised and all the warrants were expired as at 31 December 2008.

29. RESERVES

	Property revaluation reserve *HK$'000*	Translation reserve *HK$'000*
At 1 January 2008	28,351	108,428
Loss on revaluation of buildings	(10,600)	—
Reversal of deferred tax liability arising on revaluation of buildings	600	—
Exchange difference arising on translation	—	73,807
At 31 December 2008	18,351	182,235
Exchange difference arising on translation	—	67
At 31 December 2009	18,351	182,302

30. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals are accruals for payroll and and payroll related costs, purchases of spare parts, utilities charges and general administrative expenses and an amount of HK$29,028,000 in respect of a transaction described below.

Pursuant to an agreement dated 28 June 2005 entered into by a wholly-owned subsidiary of the Company and Majestic Wealth, Majestic Wealth agreed to manage the building process of the manufacturing plant of the Group in Tongliao and paid for the construction costs in advance on behalf of the subsidiary. As at 23 August 2007, an amount of RMB53,190,000 (equivalent to HK$55,595,000) (the "Loan") was due to Majestic Wealth.

On 23 August 2007, Sure-Get Securities Limited, a company incorporated in the British Virgin Islands and a third party independent of the Group, acquired the Loan from Majestic Wealth. Pursuant to an agreement entered into between the Company and Sure-Get Securities Limited, the Company issued 49,000,000 new ordinary shares at HK$0.58 per share for repayment of approximately RMB27,646,000 (equivalent to HK$28,420,000). The remaining balance of RMB25,544,000 (equivalent to HK$29,028,000 as at 31 December 2009 and 2008) recorded as other payable in the consolidated statement of financial position will be settled on or before 31 December 2008 (subsequently revised to 31 December 2010 pursuant to a supplementary agreement). Accordingly, the amount was classified as a current liability as at 31 December 2009.

31. DEFERRED TAX LIABILITIES (ASSETS)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Impairment of property, plant and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	21,465	5,003	(1,788)	—	24,680
Credit to profit or loss	(5,950)	—	—	(8,500)	(14,450)
Credit to other comprehensive income	—	(600)	—	—	(600)
At 31 December 2008	15,515	4,403	(1,788)	(8,500)	9,630
Credit to profit or loss	(5,700)	—	200	—	(5,500)
At 31 December 2009	9,815	4,403	(1,588)	(8,500)	4,130

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009	2008
	HK$'000	*HK$'000*
Deferred tax assets	(7,700)	(7,700)
Deferred tax liabilities	11,830	17,330
	4,130	9,630

The Group has tax losses arising in the PRC of HK$231,587,000 (2008: HK$113,960,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for several years and it is not considered probable that taxable profit will be available against which the tax losses can be utilised.

At the end of the reporting period, the Group has deductible temporary differences of HK$26,085,000 (2008: Nil) in respect of the allowances of obsolete inventories. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$86,660,000 (2008: HK$35,966,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

The Group monitors its capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The Group's policy is to maintain the gearing ratio of not more than 80%. Net debt includes trade payables, other payables and accruals, interest-bearing bank and other borrowings, shareholder's loans, less cash and cash equivalents. Capital represents total equity. The gearing ratios as at the balance sheet dates were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Trade payables	208,212	412,446
Other payables and accruals	113,263	108,917
Interest-bearing bank loans	385,092	500,580
Shareholder's loans	60,489	47,545
Obligations under finance leases	10,275	38,375
Less: Cash and cash equivalents	(57,547)	(40,520)
Net debt	719,784	1,067,343
Total capital	1,078,105	1,173,058
Capital and net debt	1,797,889	2,240,401
Gearing ratio	40%	48%

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	**2008**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	383,502	535,092
Available-for-sale financial assets	1,961	2,247
Financial liabilities		
Amortised cost	734,440	1,041,764

(b) Financial risk management objectives and polices

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities which are mainly debtors, creditors, bank balances and bank borrowings, at the end of the reporting period, are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Assets		
United States dollars	294,482	390,569
Hong Kong dollars	419	421
Euro dollars	1,558	1,273
	296,459	392,263
Liabilities		
United States dollars	121,157	208,511
Euro dollars	—	437
	121,157	208,948

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase in the functional currencies of the group entities, mainly Euro dollars and United States dollars, against relevant foreign currencies. The directors of the Company are of the opinion that the Group's sensitivity to the change in United States dollars against Hong Kong dollars is low as Hong Kong dollars are pegged to United States dollars. As a result, the following sensitivity table does not include the impact of such change. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates.

A positive (negative) number below indicates a decrease (increase) in loss for the year when the functional currencies strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal but opposite impact on the result for the year.

	2009	2008
	HK$'000	*HK$'000*
United States dollars		
Loss for the year	573	—
Hong Kong dollars		
Loss for the year	(15)	(16)
Euro dollars		
Loss for the year	(78)	(45)

(ii) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank balances, shareholder's loan and bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2009, all of the Group's debt obligations bore interest at floating rates. No derivative contracts have been entered into during both years.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 300 basis point (2008: 300 basis points) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 300 basis points (2008: 300 basis points) higher and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2009 would increase by HK$10,621,000 (2008: increase by HK$14,288,000).

The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China lending rate arising from the Group's bank borrowings. In the opinion of directors of the Company, sensitivity analysis is not presented for a decrease of interest rate because a further decrease in interest rate is unlikely to occur.

(iii) Credit risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group mainly trades with recognised and creditworthy third parties. It is the Group's policy that credit terms are granted subject to in-depth credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and substantially covered by credit insurance. In this regard, management considers that the Group's credit risk is minimal.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Since the Group mainly trades with recognised and creditworthy third parties, there is no requirement for collateral.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, there are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and maintains a balance between continuity of funding and flexibility through the use of bank loans, other interest-bearing loans and finance leases.

The following table details the remaining contractual maturity of the Group for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

(v) Liquidity tables

	Less than 3 months	3 to less than 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009					
Non-derivative financial liabilities					
Trade payables	191,213	16,999	—	208,212	208,212
Other payables	37,837	42,810	—	80,647	80,647
Obligations under finance leases	4,368	5,989	—	10,357	10,275
Interest-bearing bank loans	151,020	236,364	—	387,384	385,092
Shareholder's loans	12,944	—	48,971	61,915	60,489
	397,382	302,162	48,971	748,515	744,715

	Less than 3 months	3 to less than 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Non-derivative financial liabilities					
Trade payables	186,224	226,222	—	412,446	412,446
Other payables	49,361	2,804	29,028	81,193	81,193
Obligations under finance leases	6,846	20,539	11,942	39,327	38,375
Interest-bearing bank loans	280,154	228,963	—	509,117	500,580
Shareholder's loans	—	—	47,997	47,997	47,545
	522,585	478,528	88,967	1,090,080	1,080,139

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets which are traded on active markets are determined with reference to quoted market bid prices; and

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their fair values.

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets.

34. OPERATING LEASE COMMITMENTS

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the period as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Within one year	4,678	6,195
In the second to fifth years inclusive	1,122	2,960
	5,800	9,155

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases were negotiated for terms ranging from one to three years with fixed rentals over the terms of the leases.

35. CAPITAL AND OTHER COMMITMENTS

	2009	**2008**
	HK$'000	*HK$'000*
Capital and other expenditure, authorised and contracted for, but not provided in the consolidated financial statements, in respect of:		
the acquisition of the land *(Note)*	—	20,799
the construction of factory buildings	6,838	9,241
the acquisition of plant and machinery	4,948	7,900
	11,786	37,940

Note: The Group's payment obligation in respect of the acquisition of the land will be extinguished upon the approval by the shareholders of the termination agreement at the Special General Meeting to be held as disclosed in Note 40.

36. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employees, non-executive directors, customers, suppliers of goods or services and persons or entities that provide research, development or other technological support to the Group, or any entities in which the Group holds an equity interest. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. The Scheme was adopted on 30 May 2002 and became effective on 21 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue on 30 May 2002. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days after the date of offer and upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences once they become vested and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

No share options were granted during the year (2008: Nil). At the end of the reporting period, no share options were outstanding under the Scheme (2008: Nil).

37. RELATED PARTY TRANSACTIONS

(a) In addition to the related party transactions set out in other notes to the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

Related party	*Notes*	Nature of transaction	2009 *HK$'000*	2008 *HK$'000*
Keentop Investment Limited ("Keentop")	*(i)*	Rental expenses	1,956	1,741
Mr Cheok Ho Fung, Peter	*(ii)*	Interest on shareholder's loan	77	559
Topsearch PCB Marketing (Thailand) Co. Ltd.	*(iii)*	Marketing service fee paid to an associate	1,004	1,137

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 31 May 2008 was based on the tenancy agreement entered into between both parties. Pursuant to a further tenancy agreement entered into on 10 June 2008, the monthly rental was HK$163,000 for the period from 1 June 2008 to 31 May 2011 (with an option to renew for a further term of three years), which was based on a market rental valuation provided by an independent professionally qualified valuer in June 2008.

(ii) The interest expense was charged at HIBOR for the shareholder's loan granted by Mr. Cheok Ho Fung, Peter.

(iii) The marketing service fee was paid at prices mutually agreed between the parties for marketing services provided by an associate.

(b) Other transaction with a related party:

Keentop has mortgaged a property to secure bank loans made to the Group of HK$70,000,000 (2008: HK$183,728,000) as at the end of the reporting period.

(c) Details of the compensation of key management personnel of the Group were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Short-term benefits	8,421	9,293
Post-employment benefits	299	614
	8,720	9,907

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2009 and 2008 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Directly held					
Topsearch Industries (BVI) Limited	British Virgin Islands	Ordinary shares US$50,000	100	100	Investment holding
Indirectly held					
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Deferred non-voting* HK$20,000,000	100	100	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary shares HK$10,000,000	100	100	Investment holding
Topsearch Printed Circuits Macao Commercial Offshore Company Limited	Macau	Ordinary shares Macau Pataca 100,000	100	100	Sale of printed circuit boards
Topsearch Printed Circuits (Shenzhen) Ltd.@	PRC/Mainland China	Registered paid-up capital US$50,000,000	100	100	Manufacture of printed circuit boards
Topsearch Marketing (S) Pte. Ltd.	Singapore	Ordinary shares Singapore dollars 1,000	100	100	Provision of marketing services
Topsearch Marketing (U.K.) Limited	United Kingdom	Ordinary shares £2	100	100	Provision of marketing services
TPS Marketing (M) Sdn. Bhd.	Malaysia	Ordinary shares RM2	100	100	Provision of marketing services
Topsearch Marketing (USA) Inc.	United States of America	Ordinary shares US$1,000	100	100	Deregistration in progress

Name	Place of incorporation/ registration and operations	Nominal value issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Topsearch Marketing (Taiwan) Limited	Taiwan	Ordinary shares New Taiwan dollars 1,000,000	100	100	Provision of marketing services
Topsearch Printed Circuits Korea Co., Ltd.	Republic of Korea	Ordinary shares Korea won 50,000,000	100	100	Provision of marketing services
Topsearch Tongliao Investment (BVI) Limited	British Virgin Islands	Ordinary shares US$50,000	100	100	Investment holding
Topsearch Tongliao Investment (HK) Limited	Hong Kong	Ordinary shares HK$10,000	100	100	Investment holding
Topsearch Printed Circuits Limited	British Virgin Islands	Ordinary shares US$50,000	100	100	Provision of marketing services
可立身物業管理(深圳)有限公司@	PRC/Mainland China	Registered paid-up capital HK$1,000,000	100	100	Provision of property management services
至卓飛高線路板(曲江)有限公司@	PRC/Mainland China	Registered capital US$62,000,000	100	100	Manufacture of printed circuit boards
天祥綜合服務(深圳)有限公司@	PRC/Mainland China	Registered capital HK$1,000,000	100	100	Provision of catering and cleaning services
至卓飛高線路板(通遼)有限公司@	PRC/Mainland China	Registered capital US$42,000,000	100	100	Manufacture of printed circuit boards
至卓飛高進出口貿易(深圳)有限公司@	PRC/Mainland China	Registered paid-up capital HK$500,000	100	100	Sale of printed circuit boards
Ramagrove International Limited	British Virgin Islands	Ordinary share US$1	100	100	Dormant

Name	Place of incorporation/ registration and operations	Nominal value issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Lestari International Limited	British Virgin Islands	Ordinary share US$1	**100**	100	Dormant
Sanctum Consortia International Limited	British Virgin Islands	Ordinary share US$1	**100**	100	Dormant
Topsearch Company Limited#	Hong Kong	Ordinary shares HK$2	**100**	100	Dormant

* The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital upon winding-up unless a sum of HK$500,000,000,000,000 has been distributed to each of the holders of the ordinary shares.

@ Registered as wholly-foreign-owned enterprises under the PRC law.

Newly acquired during the year.

None of the subsidiaries had any debt securities outstanding at 31 December 2009 or at any time during the year.

39. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner for both years.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

40. EVENT AFTER THE REPORTING PERIOD

On 17 February 2010, the Group and Majestic Wealth entered into a termination agreement to formally unwind the acquisition of two parcels of industrial land located in Tongliao Economic Development Zone, Inner Mongolia, the PRC, by:

(i) terminating the transfer of the land to the Group;

(ii) extinguishing the Group's payment obligation in respect of the remaining balance of RMB18,303,502 (equivalent to approximately HK$20,799,000); and

(iii) repurchasing and cancelling the repurchased Consideration Shares by the Company for no consideration.

Pursuant to the termination agreement, the Company agreed to pay Majestic Wealth an amount of RMB350,000 as the consideration for the termination agreement. The repurchase of shares is subject to approval by shareholders at the Special General Meeting to be held.

3. STATEMENT OF INDEBTEDNESS

As at 31 March 2010, being the most recent practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$455 million which included bank loans, finance lease liabilities and shareholder's loan of approximately HK$388 million, HK$6 million and HK$61 million respectively.

Save as aforesaid and apart from the amount due to Sure-Get Securities Limited of approximately HK$29 million (please refer to the Note 30 to the audited financial statements of the Group for the year ended 31 December 2009), intra-group liabilities and normal trade payables, the Group did not have any outstanding loan, or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures or other loan capital, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at 31 March 2010.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Group, including the internally generated funds and present available banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for the next twelve months from the date of this circular.

5. MATERIAL CHANGE IN FINANCIAL OR TRADING POSITION

As at the Latest Practicable Date, the Directors confirm that there are no material change in the financial or trading position or outlook of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this Circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the property interests of the Group as at 31 May 2010.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

29 June 2010

The Directors
Topsearch International (Holdings) Ltd.
Unit 3406, 34/F
China Merchants Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to value the properties in which Topsearch International (Holdings) Ltd. (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have property interests in Hong Kong and the People's Republic of China (the "PRC") (as more particularly described in the valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the values of such properties as at 31 May 2010 (the "date of valuation").

DEFINITION OF MARKET VALUE

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTIONS

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information provided by the Group and the advice provided by Wang Jing & Co., the Group's legal advisor, regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In valuing property No. 2, we have taken into account the advice from the Group that the Group has obtained the Real Estate Title Certificate in respect of the land use rights of property No. 2. By virtue of the Real Estate Title Certificate, the land use rights of property No. 2 have been granted to the Group for a term of 50 years from 15 September 2000 to 14 September 2050 and during the said term, the Group is entitled to occupy and use property No. 2 for industrial purpose. According to applicable rules and regulations, as the land use rights are granted for the use of new and high technology purposes, the land premium paid by the Group for acquisition of the land use rights was a concessionary land premium rather than a full land premium. Property No. 2 is prohibited from sale whilst mortgage or lease of the same shall be subject to compliance with the relevant regulations. If the Group intends to sell, transfer or lease property No. 2, it shall have to obtain the relevant land administration authorities' approval and pay the shortfall of the full land premium in advance and attend to the relevant procedures. We have, in arriving at our opinion on the market value of property No. 2, assumed that the aforesaid restriction on alienation has been removed and the Group has obtained transferable land use rights in respect of property No. 2 for a specific land use term at nominal annual land use fee and all requisite land premium for transferable land use rights have been fully settled.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificates.

The tax liabilities for disposal of property interests in the PRC comprises of business tax, stamp duty, land appreciation tax and enterprise income tax (if any). The Group advises that in respect of the properties held and occupied by the Group in the PRC under Group I of the summary of valuations, the potential tax liabilities is estimated to be approximately RMB47.5 million would arise if such properties were to be sold at the amount of the valuations. The proportion percentage of the potential tax liabilities for business tax, stamp duty, land appreciation tax and enterprise income tax are 69.88%, 0.70%, 11.67% and 17.75% respectively. Depending on the then sales status, there is less likelihood of such tax liability referred to above for those properties being crystallized, as the Group has no plan yet for the disposal of such property interests. The above amounts are for indicative purposes and are calculated based on prevailing rules and information available as at the Latest Practicable Date.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are each on an entire interest basis.

METHOD OF VALUATION

In valuing the properties in Group I which are held and occupied by the Group in the PRC, We have valued the properties by the Depreciated Replacement Cost ("DRC") Approach due to the special nature of buildings that there is no readily identifiable market sale comparable and the building cannot be valued by comparable market transactions. The DRC Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The DRC Approach generally furnishes the most reliable indication of value of property in the absence of a known market based on comparable sales. In arriving at our opinion of the market value of the land, we have valued it by Direct Comparison Approach by making reference to the comparable sale evidences in the relevant locality. The DRC is subject to adequate potential profitability of the business.

For properties in Group II, which are rented and occupied by the Group in Hong Kong are considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group in respect of the properties in the PRC and have accepted advise given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Group regarding the Group's interests in the PRC properties.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all money amounts indicated herein our valuations are in Renminbi (RMB), official currency of the PRC. The exchange rate adopted in our valuation is HK$1=RMB0.876 which was the approximately exchange rate prevailing as at the date of valuation.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 22 years' of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 May 2010 *(RMB)*
Group I — Properties held and occupied by the Group in the PRC		
1.	Major portions of Block No. 5 of Xinghua Industrial Building, Nanhai Avenue, Shekou, Nanshan District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市南山區蛇口南海大道興華工業大廈5棟大部分)	49,740,000
2.	Topsearch Building, east of Industry Avenue and west of Liyuan Road, Shekou, Nanshan District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市南山區蛇口工業大道東荔園路西至卓飛高大樓)	173,300,000
3.	Topsearch Industrial Complex, Baitu Industrial Zone, Baitu Town, Qujiang District, Shaoguan City, Guangdong Province, the PRC (中國廣東省韶關市曲江區白土鎮白土工業城至卓飛高工業廠房)	248,200,000
4.	An industrial complex located in Phase II of Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia Autonomy, the PRC (中國內蒙古自治區通遼市通遼經濟技術開發區二期的一座工業廠房)	192,700,000
	Sub-total of Group I:	663,940,000

Group II — Properties rented and occupied by the Group in Hong Kong

5.	Unit 3406, 34/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong (香港幹諾道中168至200號信德中心招商局大廈34樓3406單元)	No commercial value
6.	Workshop A on 13/F, Block 2, Koon Wah Mirror Factory (6th) Industrial Building, Nos. 7 to 9 Ho Tin Street, Tuen Mun, Hong Kong (香港屯門河田街7至9號冠華鏡廠(第六)工業大廈第二座13樓A號單位)	No commercial value
7.	Workshops C and D on 15/F, Block 2, Koon Wah Mirror Factory (6th) Industrial Building, Nos. 7 to 9 Ho Tin Street, Tuen Mun, Hong Kong (香港屯門河田街7至9號冠華鏡廠(第六)工業大廈第二座15樓C及D號單位)	No commercial value
	Sub-total of Group II:	No commercial value
	Grand total of Groups I and II:	**663,940,000**

VALUATION CERTIFICATE

Group I — Properties held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2010
1.	Major portions of Block No. 5 of Xinghua Industrial Building, Nanhai Avenue, Shekou, Nanshan District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市南山區蛇口南海大道興華工業大廈5棟大部分)	The property comprises major portions of an 8-storey industrial building known as Block No. 5 of Xinghua Industrial Building erected on a parcel of land with a total site area of approximately of 13,137.80 sq m. Completed in 1985, the property has a total gross floor area of approximately 37,489.75 sq m. The property is held with land use rights for a term of 30 years from 9 June 1984 to 9 June 2014 for industrial and storage uses.	The property is occupied by the Group as workshop.	RMB49,740,000

Notes:

(1) According to fourteen Real Estate Title Certificates issued by the Shenzhen People's Government, the land use rights and ownership of the following portions of the building known as Block No. 5 of Xinghua Industrial Building (興華工業大廈5棟) have been vested in 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.) (100% owned subsidiary of the Company) for a term due to expire on 9 June 2014 for industrial and storage use with a common site area of approximately 13,137.8 sq m and the details are set out as follows:

Certificate No.	Date of issue	Portion of Block No. 5 Xinghua Industrial Building	Gross floor area (sq m)
6018640	6 Mar 1998	Portion D on Levels 1 and 2	4,545.00
4000002534	3 June 1998	Portion E on Level 1	1,979.85
4000002533	3 June 1998	Portion E on Level 2	2,519.90
6016731	4 Nov 1997	Portions A and B on Level 3	3,333.50
4000035404	5 Sept 2000	Portion C on Level 3	1,712.50
6016728	4 Nov 1997	Portion D on Level 4	2,526.00
4000003328	25 June 1998	Portion E on Level 4	2,520.00
6016729	16 Dec 1997	Portion D on Level 5	2,526.00
4000006213	18 Aug 1998	Portion E on Level 5	2,520.00
4000035405	5 Sept 2000	Portion B on Level 6	1,850.00
4000025759	24 Aug 1999	Portion G on Level 6	1,365.00
4000025760	7 Sept 1999	Portions A, B & C on Level 7	5,046.00
4000035406	5 Sept 2000	Portion D on Level 8	2,526.00
4000003325	N/A	Portion E on Level 8	2,520.00
		Total	37,489.75

(2) According to Business Licence No. 440301503313020 dated 16 June 2008, 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.) was established as a foreign enterprise with a registered capital of USD50,000,000 and an operating period from 25 September 1987 to 25 September 2057.

(3) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates are valid, legal and enforceable under the PRC laws;

(ii) The land use rights and building ownership of the property, comprising a site area of 13,137.8 sq m and a gross floor area of 37,489.75 sq m have been vested in 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.); and

(iii) 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.) has the right to freely occupy, use lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Real Estate Title Certificates	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2010
2.	Topsearch Building, east of Industry Avenue and west of Liyuan Road, Shekou, Nanshan District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市南山區蛇口工業大道東荔園路西至卓飛高大樓)	The property comprises an 8-storey industrial building plus 3 levels of basement, known as Topsearch Building, erected on a parcel of land with a total site area of approximately of 11,208.50 sq m. Completed in 2004, the building has a total gross floor area of approximately 40,101.35 sq m. The property is held with land use rights for a term of 50 years from 15 September 2000 to 14 September 2050 for industrial use.	The property is occupied by the Group as workshop and ancillary office.	RMB173,300,000

Notes:

(1) According to Real Estate Title Certificate No. 4000200804 issued by Shenzhen Real Estate Registration Centre, the land use rights and ownership of the building known as Topsearch Building (至卓飛高大樓) have been vested in 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.) for a term of 50 years due to expire on 14 September 2050 for industrial use with a site area of approximately 11,208.5 sq m and a total gross floor area of approximately 40,101.35 sq m.

The property is prohibited from sale whilst any lease or mortgage of the property shall be subject to compliance with relevant regulations.

In the course of our valuation, we have taken into account the advice from the Group (see Note (2) below) and have assumed that the aforesaid restriction on alienation has been removed and Topsearch Printed Circuits (Shenzhen) Ltd. has obtained transferable land use rights in respect of the property for a specific land use term at nominal annual land use fee and all requisite land premium for such transferable land use rights have been fully settled. We have also assumed that Topsearch Printed Circuits (Shenzhen) Ltd. is entitled to freely transfer, mortgage or lease the property without payment of any additional land premium.

(2) The Group's advice is summarized below:

(i) Topsearch Printed Circuits (Shenzhen) Ltd. has paid all requisite land premium for the use and occupation of the land. During the aforesaid land use term granted, Topsearch Printed Circuits (Shenzhen) Ltd. is entitled to occupy and use of the property but the same is prohibited from sale whilst mortgage or lease of the property shall be subject to compliance with relevant regulations;

(ii) According to the relevant rules and regulations in Shenzhen, land premium for the grant of land use rights for the use of new and high technology purposes would be at a concessionary rate rather than a full land premium and sale of such kind of land shall be subject to the approval of the relevant land administration authorities and payment of the shortfall of the full land premium. The land use rights of the property have been granted to Topsearch Printed Circuits (Shenzhen) Ltd. for new and high technology uses at a concessionary land premium under such rules and regulations. If Topsearch Printed Circuits (Shenzhen) Ltd. intends to transfer, mortgage or lease the property, it shall have to apply for approval of the relevant land administration authorities and complete the relevant procedures and settle the shortfall of the full land premium in advance. The estimated amount of shortfall is approximately RMB20.2 million.

(iii) Upon the approval of relevant land administration authorities and completion of the relevant procedures as well as settlement of the aforesaid shortfall of the full land premium, Topsearch Printed Circuits (Shenzhen) Ltd. shall be entitled to freely transfer, mortgage and lease the property. Provided that the approval and registration requirements have been fulfilled, there shall be no legal impediment for Topsearch Printed Circuits (Shenzhen) Ltd. to complete the above-mentioned procedures.

(3) According to Business Licence No. 440301503313020 dated 16 June 2008, 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.) was established as a foreign enterprise with a registered capital of USD50,000,000 and an operating period from 25 September 1987 to 25 September 2057.

(4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificate is valid, legal and enforceable under the PRC laws;

(ii) The land use rights and building ownership of the property, comprising a site area of 11,208.5 sq m and a total gross floor area of approximately 40,101.35 sq m have been vested in 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.); and

(iii) 至卓飛高線路板(深圳)有限公司 (Topsearch Printed Circuits (Shenzhen) Co., Ltd.) has the right to freely occupy, use lease, transfer, mortgage and dispose of the land use rights and building ownership of the property subject to fulfilling the procedures and obtaining the relevant approvals stated in Note (2).

(5) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2010
3.	Topsearch Industrial Complex, Baitu Industrial Zone, Baitu Town, Qujiang District, Shaoguan City, Guangdong Province, the PRC (中國廣東省韶關市曲江區白土鎮白土工業城至卓飛高工業廠房)	The property comprises an industrial complex erected upon a parcel of industrial land with a total site area of approximately 134,700 sq m. These buildings were completed during the period between 2006 and 2008. The property comprises ten buildings of 1 to 7 storeys and has a total gross floor area of approximately 94,470.35 sq m with the following details:	The property is occupied by the Group as workshop and staff dormitory.	RMB248,200,000

Building	Approximate gross floor area *(sq m)*
Workshop No. 1	33,916.00
Workshop No. 2	26,128.15
Warehouse	4,550.00
Canteen	2,023.84
Staff quarters No. 1	4,642.06
Staff quarters No. 2	4,642.06
Staff quarters No. 3	4,642.06
Staff quarters No. 4	4,642.06
Staff quarters No. 5	4,642.06
Staff quarters No. 6	4,642.06
Total	94,470.35

The property is held with land use rights for a term due to expire on 28 November 2056 for industrial use.

Notes:

(1) According to Contract for Grant of Land Use Rights No. 440205-2006-000038 entered into between Shaoguan City Qujiang District Land Resource Bureau (韶關市曲江區國土資源局) (the "Grantor") and 至卓飛高線路板(曲江)有限公司 (Topsearch Printed Circuits (Qujiang) Co. Ltd.) (100% owned subsidiary of the Company) (the "Grantee") on 28 November 2006, the Grantor has granted the land use rights of a parcel of land to the Grantee. The salient conditions as stipulated in the contract are summarized as follows:

Location	:	Baitu Industrial Zone, Baitu Town, Qujiang District
Site Area	:	134,700 sq m
Land Use	:	Industrial
Land Use Term	:	50 years

(2) According to State-owned Land Use Rights Certificate No. (2006)00115 issued by Shaoguan City Qujiang District Land Resources Bureau (韶關市曲江區國土資源局), the land use rights of the property located at Baitu Industrial Zone, Baitu Town, Qujiang District comprising a total site area of 134,700 sq m have been vested in 至卓飛高線路板(曲江)有限公司 (Topsearch Printed Circuits (Qujiang) Co. Ltd.) for a term due to expire on 28 November 2056 for industrial use.

(3) According to ten Real Estate Title Certificates issued by People's Government of Qujiang District of Shaoguan City (韶關市曲江區人民政府), the land use rights and building ownership of the property are vested in 至卓飛高線路板(曲江)有限公司 (Topsearch Printed Circuits (Qujiang) Co. Ltd.). The land use rights of the property have been granted for a term of 50 years due to expire on 28 November 2056 for industrial use. The details are as follows:

Certificate No.	**Name**	**No. of storey**	**Gross Floor Area** *(sq m)*
C5364244	Workshop No. 1	1	33,916.00
C5368103	Workshop No. 2	1	26,128.15
C4619046	Warehouse	1	4,550.00
C5364239	Canteen	2	2,023.84
C5364240	Staff quarters No. 1	7	4,642.06
C5364241	Staff quarters No. 2	7	4,642.06
C5364242	Staff quarters No. 3	7	4,642.06
C5364243	Staff quarters No. 4	7	4,642.06
C4619083	Staff quarters No. 5	7	4,642.06
C4619082	Staff quarters No. 6	7	4,642.06
Total			94,470.35

(4) According to Business Licence No. 440200400002099 dated 13 March 2008, 至卓飛高線路板(曲江)有限公司 (Topsearch Printed Circuits (Qujiang) Co. Ltd.) was established with a registered capital of USD62,000,000 for a valid operation period from 24 September 2003 to 23 September 2053.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The Real Estate Title Certificates are valid, legal and enforceable under the PRC laws;

(ii) The land use rights and building ownership of the property, comprising a site area of 134,700 sq m and a gross floor area of 94,470.35 sq m have been vested in 至卓飛高線路板(曲江)有限公司 (Topsearch Printed Circuits (Qujiang) Co. Ltd.); and

(iii) 至卓飛高線路板(曲江)有限公司 (Topsearch Printed Circuits (Qujiang) Co. Ltd.) has the right to freely occupy, use lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:

Contract for Grant of State-owned Land Use Rights	Yes
State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificates	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2010
4.	An industrial complex located in Phase II of Tongliao Economic Technology Development Zone, Tongliao City, Inner Mongolia Autonomy the PRC (中國內蒙古自治區通遼市通遼經濟技術開發區二期的一座廠房)	The property comprises an industrial complex erected on a parcel of land with a site area of approximately 230,667.82 sq m. The property comprises five industrial/dormitory buildings of single to 4 storeys having a total gross floor area of 86,198.72 sq m. These buildings were completed in 2008. The property is held with land use rights for a term due to expire on 23 April 2055 for industrial use.	As at the time of inspection, the property was vacant.	RMB192,700,000

Notes:

(1) According to State-owned Land Use Rights Certificate No. (2005) 100 issued by Land Resources Bureau of Tongliao Economic Technology Development Zone on 11 December 2005, the land use rights of the property, comprising a site area of 230,667.82 sq m, have been vested in 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) (100% owned subsidiary of the Company) for a term due to expire on 23 April 2055 for industrial use.

(2) According to Planning Permit for Construction Works No. 2005 (23) issued by Construction and Planning Bureau of Tongliao Economic Technology Development Zone on 5 June 2005, the construction works of the property, with a gross floor area of 86,363.36 sq m, are in compliance with the construction works requirements and have been approved.

(3) According to Permit for Commencement of Construction Works No 2005 (51) issued by Construction and Planning Bureau of Tongliao Economic Technology Development Zone on 1 July 2005, the construction works of the property, located at the north side of Liaohe Avenue, west side of Xiamen Road, with a gross floor area of 86,363.36 sq m, are in compliance with the requirements for works commencement and have been permitted.

According to the information provided by the Group, the property has a total gross floor area of approximately 86,198.72 sq m. In the course of our valuation, we have adopted this figure.

(4) As advised by the Group, Building Ownership Certificates of the property are in the course of application. In the course of valuation, we have assumed that Building Ownership Certificates have been granted for the property.

(5) According to Business Licence No.152300400000199, 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) has been incorporated as a foreign limited liability company with a registered capital of USD42,000,000 for an operation period from 23 June 2005 to 31 December 2008.

(6) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

(i) The State-owned Land Use Rights Certificate is valid, legal and enforceable under the PRC laws;

(ii) The land use rights of the property, comprising a site area of 230,667.82 sq m have been vested in 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) and

(iii) 至卓飛高線路板(通遼)有限公司 (Topsearch Printed Circuits (Tongliao) Ltd.) has the right to freely occupy, use lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(7) The status of title and grant/transfer of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Building Ownership Certificate	No
Business Licence	Yes

Group II — Properties rented and occupied by the Group in Hong Kong

	Property	Description and Tenancy Particulars	Capital Value in existing state as at 31 May 2010 *(RMB)*
5.	Unit 3406, 34/F, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong (香港干諾道中168至200號信德中心招商局大廈34樓3406單元)	The property comprises an office unit of a 39-storey office building completed in 1986 with a gross floor area of approximately 157.47 sq m. The property is leased from an independent party, to Topsearch Printed Circuits (HK) Limited for a term of 2 years from 15 March 2010 to 14 March 2012 at a monthly rent of HK$62,715 exclusive of rates, government rent and management fee.	No commercial value
6.	Workshop A on 13/F, Block 2, Koon Wah Mirror Factory (6th) Industrial Building, Nos. 7 to 9 Ho Tin Street, Tuen Mun, Hong Kong (香港屯門河田街7至9號冠華鏡廠(第六)工業大廈第二座13樓A號單位)	The property comprises a workshop unit of an industrial building with a gross floor area of approximately 275.73 sq m. The property is leased from an independent party, to Topsearch Printed Circuits (HK) Limited for a term of 2 years from 27 July 2009 to 26 July 2011 at a monthly rent of HK$6,000 exclusive of rates, government rent and management fees.	No commercial value
7.	Workshops C and D on 15/F, Block 2, Koon Wah Mirror Factory (6th) Industrial Building, Nos. 7 to 9 Ho Tin Street, Tuen Mun, Hong Kong (香港屯門河田街7至9號冠華鏡廠(第六)工業大廈第二座15樓C及D號單位)	The property comprises two workshop units of an industrial building with a gross floor area of approximately 490.25 sq m. The property is leased from an independent party, to Topsearch Printed Circuits (HK) Limited for a term of 2 years from 15 April 2009 to 14 April 2011 at a monthly rent of HK$10,570 exclusive of rates, government rent and management fees.	No commercial value

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised share capital:		
2,000,000,000	ordinary Shares of HK$0.10 each	200,000,000
Issued and fully paid:		
1,000,000,000	ordinary Shares of HK$0.10 each	100,000,000
Land Consideration Shares:		
93,400,000	ordinary Shares of HK$0.10 each	9,340,000

All the issued Shares rank pari passu with each other in all respects, including as regards rights to dividends, capital and voting. The Land Consideration Shares allotted and issued to the Majestic Wealth rank pari passu in all respects with the existing Shares in issue.

As at the Latest Practicable Date, there are no outstanding options, warrants, convertible securities or derivatives in respect of the Shares.

Save for the Securities Repurchase as detailed in the Letter from the Board of this circular, the Company has not issued or repurchased any Shares since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.

There was no reorganisation of capital of the Company during the two financial years immediately preceding 18 February 2010, being the date of the Announcement.

Save for the Securities Repurchase as detailed in the Letter from the Board of this circular, the Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the 12 months immediately preceding the Latest Practicable Date.

3. DIVIDENDS

There has been no dividends proposed or paid out by the Company to the Shareholders, including Majestic Wealth (the holder of the Repurchased Shares), during the 2-year period immediately preceding the Latest Practicable Date,

The Company's ability to pay dividends to the Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to the Shareholders. The Company has no plan or intention to alter its present dividend policy.

4. DISCLOSURE OF INTERESTS

Interests and short positions of the Directors in Shares and underlying Shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed

Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in the Shares:

(i) The Company

Name of director		Nature of interest		Number of ordinary Shares held	Approximate 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.

(ii) Associated Corporation — Inni International Inc.

Name of director		Nature of interest	Number of ordinary Shares held	Approximate percentage of issued capital
Mr. Cheok Ho Fung		Direct	12,250	49.0%
	Note	Deemed	12,750	51.0%
Total			25,000	100.0%

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

(iii) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director		Nature of interest	Number of non-voting deferred Shares held	Approximate percentage of issued capital
Mr. Cheok Ho Fung		Direct	2,000,100	10.0%
	Note	Deemed	17,999,900	90.0%
Total			20,000,000	100.0%

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executives of the Company, nor persons acting in concert with any of them, had interests or short positions in the Shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Dealings in securities of the Company

During the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date, none of the Directors or persons acting in the concert with them had dealt for value in any securities of the Company.

(c) Service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

5. SUBSTANTIAL SHAREHOLDERS

(a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

Long position in the Shares:

Name of Shareholders	*Notes*			**Number of ordinary Shares held**	**Approximate percentage of issued capital**
Inni International Inc.		Direct	Long Position	432,000,000	43.20%
Mrs. Cheok Chu Wai Min	*(i)*	Deemed	Long Position	510,250,000	51.03%
Hallgain Management Limited	*(ii)*	Deemed	Long Position	206,992,000	20.69%
Kingboard Chemical Holdings Limited	*(ii)*	Direct	Long Position	2,766,000	0.27%
		Deemed	Long Position	204,226,000	20.42%
Total				206,992,000	20.69%
Jamplan (BVI) Limited	*(ii)*	Deemed	Long Position	204,226,000	20.42%
Kingboard Investments Limited		Direct	Long Position	204,024,000	20.40%

Notes:

(i) 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 "Interests and short positions of the Directors in Shares and underlying Shares of the Company and its associated corporations".

(ii) Kingboard Investments Limited and Kingboard Laminates Limited, holders 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. Hallgain Management Limited owns 30.97% equity shares in Kingboard Chemical Holdings Limited.

Save as disclosed above, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Interests and short positions of the Directors in Shares and underlying Shares of the Company and its associated corporations" above had registered an interests or shorts positions in the shares and underlying Shares of the Company as recorded under Section 336 of the SFO as at 31 December 2009.

Save as disclosed above, the Directors and chief executive of the Company were not aware of any person who has an interest or short position in the Shares, or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of, or leased to, the Company or any of its subsidiaries since 31 December 2009, the date to which the latest published audited consolidated financial statement of the Group were made up.

No contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

8. MARKET PRICES OF THE SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding 18 February 2010, being the date of the Announcement and ending on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date were as follows:

Date	**Closing price of the Shares** *(HK$)*
31 August 2009	0.220
30 September 2009	0.225
30 October 2009	0.249
30 November 2009	0.275
31 December 2009	0.340
29 January 2010	0.415
17 February 2010 (being the Last Trading Day)	0.410
26 February 2010	0.430
31 March 2010	0.395
30 April 2010	0.405
31 May 2010	0.375
25 June 2010 (being the Latest Practicable Date)	0.395

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period commencing 6 months preceding 18 February 2010, being the date of the Announcement, and ending on the Latest Practicable Date were HK$0.475 on 3 February 2010 and HK$0.215 on 26 August 2009, respectively.

9. LITIGATION

As at the Latest Practicable Date, save and except a threatened claim by a customer of HK$11,241,841.08 as response to our letter of demand issued on 3 November 2009 for a claim of HK$2,074,727.36 for breach of contract issued by our solicitors for and on our behalf, the Directors hold the view that the Group was not engaged in any material litigation or arbitration of material importance and no material litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

10. EXPERTS AND CONSENTS

(a) The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
CSC Asia Limited	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity
DTZ Debenham Tie Leung Limited	Professional valuers

(b) As at the Latest Practicable Date, CSC Asia Limited and DTZ Debenham Tie Leung Limited do not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

(c) As at the Latest Practicable Date, CSC Asia Limited and DTZ Debenham Tie Leung Limited do not have a direct or indirect interest in any asset which had been acquired, or disposed of by or leased to any member of the Group, or which is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up.

(d) CSC Asia Limited and DTZ Debenham Tie Leung Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it is included.

11. GENERAL

(a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company in Hong Kong is 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(b) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited, Level 26, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(c) Mr. Fong Ching Kong, Tony is the company secretary of the Company. He is also a financial controller of the Group. He is a fellow member of Taxation Institute of Hong Kong and the Chartered Association of Certified Accountants. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the Company's principal place of business in Hong Kong at 3406 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:30 p.m., Mondays to Fridays (except public holidays); (ii) on the Company's website at www.topsearch.com.hk; and (iii) on the website of SFC at www.sfc.hk, from the date of this circular up to and including the date of the SGM (or any adjournment thereof):

(a) the memorandum of association and the bye-laws of the Company;

(b) the Termination Agreements dated 17 February 2010 in relation to the Securities Repurchase;

(c) the letter from the Board, the text of which is set out in the "Letter from the Board" in this circular;

(d) the letter from the IBC, the text of which is set out in the "Letter from the Independent Board Committee" in this circular;

(e) the letter from CSC Asia, the text of which is set out in the "Letter from CSC Asia Limited" in this circular;

(f) the valuation report of DTZ Debenham Tie Leung Limited, the text of which is set out in "Valuation Report on Property Interests of the Group" in this circular;

(g) the annual reports of the Company for the two years ended 31 December 2008 and 2009;

(h) the written consents of the experts referred to in the paragraph headed "Experts and Consents" in this Appendix.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Topsearch International (Holdings) Limited ("**Company**") will be held at Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 2 August 2010 at 10:00 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following resolution:

SPECIAL RESOLUTION

1. "**THAT**

(a) the termination agreements ("**Termination Agreements**") including (a) the agreement dated 17 February 2010 and entered into between the Company, Topsearch Tongliao Investment (BVI) Limited and Majestic Wealth Limited in relation to the partial termination of the Main Acquisition Agreement in relation to the acquisition of the Property (as defined in the circular dated 29 June 2010; and (b) the agreement (governed by the PRC Laws) dated 17 February 2010 entered into between the Company, Topsearch Tongliao Investment (BVI) Limited and Majestic Wealth Limited in relation to the termination of the Supplemental Acquisition Agreement (as defined in the circular dated 29 June 2010) and the repurchase by the Company of 93,400,000 shares ("**Repurchased Shares**") in the capital of the Company which are denominated in HK$0.10 each at the reference price of HK$0.58 per Repurchase Share (copies of which have been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereby, including but not limited to the capital reduction incidental to the cancellation of the Repurchased Shares from the share capital of the Company, be and are hereby approved;

* *for identification purposes only*

(b) any one director of the Company to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the Termination Agreements be and is hereby confirmed, approved and ratified; and

(c) any one director of the Company to sign, execute, perfect, deliver or to anthorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated in the Termination Agreements, or to agree to immaterial amendments to the Termination Agreements or to waive compliance of the immaterial terms of the Termination Agreements, as he/she may in his/her absolute discretion consider to be desirable and in the interests of the Company be and is hereby is confirmed, approved and ratified."

By order of the Board
Topsearch International (Holdings) Limited
CHEOK Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 29 June 2010

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Place of Business in Hong Kong:
3406, China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. To be effective, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. Where there are joint holders of any share, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled to vote, but if more than one of such joint holders be present at the meeting in person or by proxy, the person so present whose name stands first in the register of member of the Company in respect of such share shall alone be entitled to vote in respect of it.

4. The register of members of the Company will be closed from Thursday, 29 July 2010 to Monday, 2 August 2010, both dates inclusive, during which no transfer of shares will be effected. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 28 July 2010.