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

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board" or "Directors") of Topsearch International (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 (the "Period") together with comparative figures for the corresponding period of last year. The interim financial statements and results have been reviewed by the Company's audit committee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**659,379**	597,434
Cost of sales		**(601,537)**	(537,282)
Gross profit		**57,842**	60,152
Other income	*3*	**5,091**	2,973
Other gains and losses	*4*	**2,112**	(3,183)
Selling and distribution costs		**(43,042)**	(40,622)
Administrative expenses		**(32,293)**	(32,710)
Finance costs	*6*	**(11,063)**	(9,310)
LOSS BEFORE TAX	*5*	**(21,353)**	(22,700)
Income tax expense	*7*	**(7,515)**	(1,878)
LOSS FOR THE PERIOD		**(28,868)**	(24,578)
Other comprehensive income (net of tax)			
Exchange difference arising on translation		**27,980**	46
Total comprehensive expense for the period		**(888)**	(24,532)
LOSS PER SHARE			
— Basic	*8*	**3.18 HK cents**	2.46 HK cents

* *for identification purposes only*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,103,409**	1,126,351
Prepaid lease payments		**39,906**	38,741
Rental and utility deposits		**721**	102
Prepaid rent		**428**	360
Available-for-sale financial assets		**2,002**	2,002
Deposits paid for acquisition of property, plant and equipment		**6,112**	4,364
Deferred tax assets		**7,377**	7,377
		1,159,955	1,179,297
CURRENT ASSETS			
Inventories		**201,945**	192,088
Prepaid lease payments		**799**	931
Trade receivables	*10*	**275,558**	234,318
Prepayments, deposits and other receivables		**49,527**	42,286
Pledged bank deposits		**—**	38,059
Bank balances and cash		**141,399**	69,987
		669,228	577,669
CURRENT LIABILITIES			
Trade payables	*11*	**243,142**	221,436
Other payables and accruals		**119,955**	127,530
Interest-bearing bank loans		**411,612**	344,833
Shareholder's loans		**49,072**	—
Tax payable		**—**	7,877
		823,781	701,676
NET CURRENT LIABILITIES		**(154,553)**	(124,007)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,005,402**	1,055,290

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
CAPITAL AND RESERVES			
Share capital	12	**90,660**	90,660
Reserves		**907,512**	908,400
		998,172	999,060
NON-CURRENT LIABILITIES			
Shareholder's loans		**—**	49,000
Deferred tax liabilities		**7,230**	7,230
		7,230	56,230
		1,005,402	1,055,290

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

1. Basis of preparation and accounting policies

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or fair values. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2011.

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior periods.

The Group has not applied any new and revised HKFRSs that is not yet effective for the current accounting period.

2. Segment information

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 period, total assets and total liabilities respectively as reported in the condensed consolidated interim 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:

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Malaysia	**76,884**	162,870
The People's Republic of China (the "PRC")	**156,002**	127,974
Singapore	**115,057**	103,393
Hong Kong	**67,743**	66,016
Korea	**42,031**	38,139
Thailand	**102,469**	26,457
Germany	**28,465**	24,162
United States of America	**19,311**	16,250
Others	**51,417**	32,173
	659,379	597,434

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 available-for-sale financial assets and deferred tax assets amounting to HK$1,150,576,000 (31 December 2010: HK$1,169,918,000) are located in the group entities' country of domicile, the PRC.

(b) Information about major customers

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

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**N/A***	130,035
Customer B	**98,110**	88,751
Customer C	**88,737**	N/A*

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

3. Revenue and other income

Revenue, which is also the Group's turnover, represents the amounts received and receivables for goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of revenue and other income is as follows:

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**659,379**	597,434
Other income		
Tooling income	**1,559**	847
Sample income	**1,522**	1,543
Interest income	**175**	94
Others	**1,835**	489
	5,091	2,973

4. Other gains and losses

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Foreign exchange differences, net	**2,112**	(2,743)
Loss on disposal of property, plant and equipment	**—**	(91)
Others	**—**	(349)
	2,112	(3,183)

5. Loss before tax

The Group's loss before tax has been arrived at after charging (crediting):

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Reversal of) allowance for obsolete inventories	**(4,280)**	3,205
Cost of inventories recognised as an expense	**601,537**	537,282
Depreciation of property, plant and equipment	**63,849**	70,705
Release of prepaid lease payments	**406**	455
Foreign exchange differences, net	**(2,112)**	2,743
Bank interest income	**(175)**	(94)

6. Finance costs

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings wholly repayable within five years	**9,586**	9,285
Shareholder's loans	**1,477**	25
	11,063	9,310

7. Income tax expense

	For the six months ended	
	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The income tax expense comprises:		
PRC Enterprise Income Tax		
Current period	**—**	278
Under-provision in prior years	**7,515**	1,600
	7,515	1,878

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

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 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.

8. Loss per share

The calculation of the basic loss per share is based on the Group's loss attributable to the ordinary equity holders of the Company of HK$28,868,000 for the Period (2010: loss of HK$24,578,000) and the weighted average of 906,600,000 (2010: 1,000,000,000) ordinary shares in issue during the Period.

Diluted loss per share is not presented as there were no potential ordinary shares in issue for both periods and as at 30 June 2011 and 2010.

9. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: Nil).

10. Trade receivables

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment records. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days. The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by the Group's senior management. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30 June 2011 (Unaudited)	31 December 2010 (Audited)
	HK$'000	*HK$'000*
0 — 30 days	**94,364**	90,389
31 — 60 days	**116,526**	87,614
61 — 90 days	**56,932**	51,968
Over 90 days	**7,736**	4,347
	275,558	234,318

11. Trade payables

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

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
0 — 30 days	**90,642**	87,270
31 — 60 days	**79,285**	65,788
61 — 90 days	**55,071**	24,553
Over 90 days	**18,144**	43,825
	243,142	221,436

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.

12. Share capital

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
906,600,000 ordinary shares of HK$0.1 each	**90,660**	90,660

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCB") during the Period.

The Group's sales turnover for the Period has been increased by about 10% when compared with the same period of last year. The gross profit value has been decreased by 3.8% and the gross profit margin has been reduced from 10.1% to 8.8%. Costs increased generally arising from both the inflation in the PRC and progressive appreciation in Renminbi during the Period. Though the loss before tax for the Period has been slightly reduced to about HK$21.4 million (2010: HK$22.7 million), the Group has incurred tax liabilities under the PRC Enterprise Income Tax for subsidiaries in Shenzhen and Shaoguan for the prior years amounting to approximately HK$7.5 million in total. As a whole, the Group recorded finally a net loss of approximately HK$28.9 million for the Period (2010: HK$24.6 million).

During the Period, the majority of the production of the Group has continued to be centralized in the Shaoguan plant whereas the production in the Shenzhen plant would be amounting to less than 30% of the total relevant sales turnover. As disclosed in the annual report of the Company for the year ended 31 December 2010, Topsearch Printed Circuits (Tongliao) Limited, one of the Company's wholly-owned subsidiaries, entered into a Property Assignment Agreement with Tongliao Xutong Solar Technology Company Limited, an independent third party, for selling a portion of a parcel of industrial land and the buildings erected on the existing plant in Tongliao at the consideration of RMB51 million. The Group had already received the deposit payment of RMB20 million whilst the remaining balance of the consideration will be received before the end of year 2011 as stipulated under the aforementioned Property Assignment Agreement.

To improve the Group's financial position, the Group has implemented various sales strategies to increase the sales turnover and margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve and diversify its product mix.

Save as disclosed above, there have been no material changes in respect of such matters since the publication of the latest annual report of the Company for the year ended 31 December 2010.

PROSPECTS

Although the year 2011 started with some growth both in terms of business and margin, the market trend soon turned south when the Japan earthquake happened on 11 March, followed then by the weak economic performances in both the U.S. and Europe, especially towards the last two months of the first half year. Weakness continued into July and the first week of August as all data show that in spite of the QE1 and QE2 in the U.S., her economy did not improve as expected, and hence the collapse of the stock market globally on 5 August.

Comparing to the last global financial crisis, we are only seeing a minor drop in prices of copper however gold prices continued to break records. All these materials are major costs of our products and unless they would fall hopefully as what has happened in the last financial crisis, our margin would continue to suffer, not to mention the on-going appreciation of the Renminbi and the increase of wages and all other overheads due to the severe inflation occurring now in China.

All signs indicate that the PCB market will face a difficult time in the second half of the year, and data in the first two months of the second half has proven this to be the case.

The Management of the Company has dealt with similar situation before and is confident that with the healthy cashflow we are maintaining and our continuous efforts to further improving our quality level and technical capability, and therefore aggressively getting more qualifications on markets that are new but profitable to us, we shall be able to overcome such difficulties.

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 30 June 2011, the Group had the total equity of HK$998 million (31 December 2010: HK$999 million) and net debt (trade payables, other payables and accruals, interest-bearing bank borrowings, shareholder's loans, less cash and cash equivalents) of HK$682 million (31 December 2010: HK$673 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 40.6% (31 December 2010: 40.3%).

The Group's net current liabilities of HK$155 million (31 December 2010: HK$124 million) consisted of current assets of HK$669 million (31 December 2010: HK$578 million) and current liabilities of HK$824 million (31 December 2010: HK$702 million), representing a current ratio of 0.81 (31 December 2010: 0.82).

As at 30 June 2011, the Group's current assets consisted of HK$141 million (31 December 2010: HK$70 million) of cash and cash equivalents, of which 1% was in Hong Kong dollars (the "HKD"), 37% was in United States dollars (the "USD"), 60% was in Renminbi (the "RMB") and 2% in other currencies.

Interest-bearing borrowings

All bank loans of the Group carried floating interest rates and the effective interest rates ranged from 3.80% to 6.67% (2010: 2.77% to 5.84%) per annum. The Board does not recognise a significant seasonality of borrowing requirements.

Of the total interest-bearing borrowings, HKD denominated loans accounted for 10% (31 December 2010: 12%), USD denominated loans accounted for 37% (31 December 2010: 14%), and the 53% balance was RMB denominated loans (31 December 2010: 74%) as at 30 June 2011.

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

(i) certain buildings and leasehold land held by the Group;

(ii) the assignment of trade receivables of a subsidiary of the Group; and

(iii) the pledged bank deposits held by the Group, if any.

There were shareholder's loans advanced by Mr. Cheok Ho Fung, an Executive Director, Chief Executive Officer and a controlling shareholder of the Company at the effective interest rate of a 6% per annum (2010: 6%).

Material acquisitions or disposals

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associates during the first half year of 2011.

Foreign Exchange Exposure

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 43% of the Group's purchases and 81% of the Group's expenses are denominated in RMB. As the Group imported a substantial portion of its major raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from RMB appreciation.

The Group currently does not have a foreign currency hedging policy. However, the Group's management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure to minimise exchange risk should the need arise.

Number and remuneration of employees

As at 30 June 2011, excluding the associate, the Group had approximately 5,346 employees (31 December 2010: 5,082). For the six months ended 30 June 2011, total staff costs amounted to HK$105 million (30 June 2010: HK$96 million).

There have been no material changes to the information disclosed in the 2010 Annual Report in respect of the share option scheme, remuneration policies and staff training and development.

Capital commitments

As at 30 June 2011, the Group's capital commitments authorised but not contracted for amounted to HK$10 million (31 December 2010: HK$36 million) and contracted but not provided for amounted to HK$5 million (31 December 2010: HK$3 million). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

Material changes

There has been no material change in respect of any other matters since the publication of the latest 2010 Annual report.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

Code on Corporate Governance Practices

The Board and the senior management of the Company (the "Senior Management") are of the opinion that during the first half year of 2011, the Company has properly operated in accordance with the Code on Corporate Governance Practices (the "CG Code") which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with the code provisions and a majority of the recommended best practices except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

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

1. ensuring the decision-making process, risk management process, internal audit and controls, disclosure of information and the communication with stakeholders are carried out in accordance with good management practices and compliance with the respective regulatory standards;

2. cultivating a culture of integrity, transparency and accountability for the Company, its staff and Directors and emphasising the importance of their roles in such an environment; and

3. adopting quality standards widely recognised to foster quality management in every aspect of daily operations to enhance the performance and value of the Company as a whole.

Compliance with CG Code

The Directors confirm that, for the six months ended 30 June 2011, the Company has complied with the code provisions set out in the CG Code save for the deviation mentioned below.

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from the code provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement will provide stronger leadership of the management for the Group and will enable effective business planning. The Directors believe that it does not have a material adverse impact on the corporate governance of the Company.

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the CG Code provisions as set out in the Listing Rules.

Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted its own code of conduct (the "Own Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the six months ended 30 June 2011. Members of the senior management, who, due to their positions in the Company, are likely to be in possession of unpublished price sensitive information, have also complied with the provisions of the Own Code.

The Board of Directors

As at the date of this announcement, the Board consists of eight Directors with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. Their brief biographical particulars are set out in the 2010 Annual Report. The detailed composition of the Board during the Period and as at the date of this announcement is as follows:

Name of Directors	**Position**
Executive Directors	
Mr. Cheok Ho Fung	Chairman of the Board and the executive committee and Chief Executive Officer
Mr. Liu Wai On	Member of executive committee

Name of Directors	Position
Non-Executive Directors	
Mr. Tang Yok Lam, Andy	Member of remuneration committee and nomination committee
Mr. Ng Kwok Ying, Alvin	Member of audit committee
Mr. Xiang Dong	Member of audit committee
Independent Non-Executive Directors	
Mr. Leung Shu Kin, Alfred	Chairman of remuneration committee, member of audit committee and nomination committee
Mr. Wong Wing Kee	Chairman of nomination committee and member of audit committee and remuneration committee
Mr. Ng Kee Sin	Chairman of audit committee

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2011 Interim Report of the Company, which contains all the information required by the Listing Rules will be published on the websites of the Company (www.topsearch.com.hk) and the Stock Exchange (www.hkex.com.hk) in due course.

Appreciation

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

On behalf of the Board
Topsearch International (Holdings) Limited
Cheok Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 16 August 2011

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