



至卓

T O P S E A R C H

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)



Interim Report **2011**

**For identification purposes only*

Content	Pages
Chairman's Statement	2
Management Discussion and Analysis	5
Disclosure of Additional Information	8
Unaudited Condensed Consolidated Statement of Comprehensive Income	16
Unaudited Condensed Consolidated Statement of Financial Position	17
Unaudited Condensed Consolidated Statement of Changes in Equity	18
Unaudited Condensed Consolidated Statement of Cash Flows	19
Notes to Condensed Consolidated Financial Statements	20

FINANCIAL PERFORMANCE

Compared to the unaudited financial results for the same period in 2010, the business operation of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2011 (the "Period") remained steady. The Group's loss before tax for the Period was approximately HK\$21.4 million as compared to loss before tax of approximately HK\$22.7 million for the same period of 2010. Loss per share was 3.18 Hong Kong cents for the Period, as compared to loss per share of 2.46 Hong Kong cents for the same period of 2010.

DIVIDEND

The board of directors (the "Board" or "Directors") does not recommend the payment of any interim dividend for the six months ended 30 June 2011.

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.

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

Cheok Ho Fung

Chairman and Chief Executive Officer

Hong Kong, 16 August 2011

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

As at 30 June 2011, the Group had the interest-bearing borrowings as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Amounts payable:		
Within one year	460,684	344,833
In the second year	—	49,000
	460,684	393,833
<i>Less: Portion classified as current liabilities</i>	460,684	344,833
Long term portion	—	49,000

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.

OTHER COMMITMENTS

As at 30 June 2011, the Group's capital contribution committed to the wholly-owned subsidiary established in the PRC amounted to HK\$105 million (31 December 2010: HK\$105 million).

DIVIDEND

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 19 to the condensed consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party at any time during the Period.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 30 June 2011, the interests and short positions of the directors in the shares, underlying share capital and underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) The Company

Name of director	Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheek Ho Fung	Direct	Long position	78,250,000	8.63%
	<i>Note</i> Deemed	Long position	432,000,000	47.65%
Total			510,250,000	56.28%

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. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

(b) Associated Corporation — Inni International Inc.

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

Note: These shares are jointly owned by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

1. Directors' interests in Shares (continued)

(c) Subsidiary — Topsearch Industries (Holdings) Limited

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

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

2. Directors' Interests in Share Options of the Company

As at 30 June 2011, none of the Company's directors held share options of the Company.

Saved as disclosed above, as at 30 June 2011, none of the directors or chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Disclosure of Additional Information

10 Topsearch International (Holdings) Limited

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

Long positions in Shares:

As at 30 June 2011, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes		Number of ordinary shares held	Percentage of issued capital
Inni International Inc.	Direct	Long position	432,000,000	47.65%
Mr. Cheok Ho Fung	Direct (i)	Long position Long position	78,250,000 432,000,000	8.63% 47.65%
		Total	510,250,000	56.28%
Mrs. Cheok Chu Wai Min	(ii)	Deemed Long position	510,250,000	56.28%
Hallgain Management Limited	(iii)	Deemed Long position	206,992,000	22.83%
Kingboard Chemical Holdings Limited	Direct (iii)	Long position Long position	2,766,000 204,226,000	0.31% 22.53%
		Total	206,992,000	22.83%
Jamplan (BVI) Limited	(iii)	Deemed Long position	204,226,000	22.53%
Kingboard Laminates Limited	(iii)	Direct Long position	202,000	0.02%
Kingboard Investments Limited	(iii)	Direct Long position	204,024,000	22.50%

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

Long positions in Shares: (continued)

Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 204,024,000 and 202,000 shares in the Company respectively, are wholly-owned subsidiary and a non wholly-owned subsidiary of Jamplan (BVI) Limited respectively which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 34.50% equity shares in Kingboard Chemical Holdings Limited.

Saved as disclosed above, as at 30 June 2011, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interests in Shares and Underlying Shares" above had registered any interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

SHARE OPTION SCHEME (continued)

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

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

Further details of the Scheme had been stated on pages 28 and 29 of the 2010 Annual Report.

There were no Options granted during the six months ended 30 June 2011. As at the end of the reporting period of 30 June 2011, no Options were outstanding under the Scheme.

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.

CORPORATE GOVERNANCE REPORT

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 (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.

CORPORATE GOVERNANCE REPORT (continued)

Compliance with CG Code (continued)

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 interim report, 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 interim report 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

THE BOARD OF DIRECTORS (continued)

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

The accounting information given in this interim report has not been audited by the external auditors of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 have been reviewed by the Company's 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, has been published on the websites of the Company (www.topsearch.com.hk) and the Stock Exchange (www.hkex.com.hk).

Unaudited Condensed Consolidated Statement of Comprehensive Income

16 Topsearch International (Holdings) Limited

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	4	659,379	597,434
Cost of sales		(601,537)	(537,282)
Gross profit		57,842	60,152
Other income	4	5,091	2,973
Other gains and losses	5	2,112	(3,183)
Selling and distribution costs		(43,042)	(40,622)
Administrative expenses		(32,293)	(32,710)
Finance costs	7	(11,063)	(9,310)
LOSS BEFORE TAX	6	(21,353)	(22,700)
Income tax expense	8	(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	9	3.18 HK cents	2.46 HK cents

Unaudited Condensed Consolidated Statement of Financial Position

Topsearch International (Holdings) Limited

17

	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	11	275,558	234,318
Prepayments, deposits and other receivables		49,527	42,286
Pledged bank deposits	12	—	38,059
Bank balances and cash	12	141,399	69,987
		669,228	577,669
CURRENT LIABILITIES			
Trade payables	13	243,142	221,436
Other payables and accruals		119,955	127,530
Interest-bearing bank loans	14	411,612	344,833
Shareholder's loans	15	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
CAPITAL AND RESERVES			
Share capital	16	90,660	90,660
Reserves		907,512	908,400
		998,172	999,060
NON-CURRENT LIABILITIES			
Shareholder's loans	15	—	49,000
Deferred tax liabilities		7,230	7,230
		7,230	56,230
		1,005,402	1,055,290

Unaudited Condensed Consolidated Statement of Changes in Equity

18 Topsearch International (Holdings) Limited

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2011	90,660	337,640	19,000	18,351	201,843	30,008	301,558	999,060
Loss for the period	—	—	—	—	—	—	(28,868)	(28,868)
Other comprehensive income for the period	—	—	—	—	27,980	—	—	27,980
Total comprehensive income (expense) for the period	—	—	—	—	27,980	—	(28,868)	(888)
At 30 June 2011	90,660	337,640*	19,000*	18,351*	229,823*	30,008*	272,690*	998,172

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2010	100,000	360,056	19,000	18,351	182,302	30,008	368,388	1,078,105
Loss for the period	—	—	—	—	—	—	(24,578)	(24,578)
Other comprehensive income for the period	—	—	—	—	46	—	—	46
Total comprehensive income (expense) for the period	—	—	—	—	46	—	(24,578)	(24,532)
At 30 June 2010	100,000	360,056*	19,000*	18,351*	182,348*	30,008*	343,810*	1,053,573

* These reserve accounts comprise the reserves of HK\$907,512,000 (30 June 2010: HK\$953,573,000) in the condensed consolidated statement of financial position.

Unaudited Condensed Consolidated Statement of Cash Flows

Topsearch International (Holdings) Limited

19

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(21,353)	(22,700)
Adjustments for:		
Depreciation of property, plant and equipment	63,849	70,705
Interest income	(175)	(94)
Finance costs	11,063	9,310
Loss on disposal of property, plant and equipment	—	91
Release of prepaid lease payments	406	455
(Reversal of) allowance for obsolete inventories	(4,280)	3,205
Allowance for doubtful debts	—	349
Operating cash flows before movements in working capital	49,510	61,321
Increase in rental and utility deposits	(619)	(4)
(Increase) decrease in prepaid rent	(68)	105
Increase in inventories	(5,579)	(14,140)
(Increase) decrease in trade receivables	(41,240)	17,357
Increase in prepayments, deposits and other receivables	(5,827)	(4,499)
Decrease in amount due from an associate	—	70
Increase in trade payables	17,965	12,252
(Decrease) increase in other payables and accruals	(10,469)	7,870
Cash generated from operations	3,673	80,332
Income tax paid	(15,374)	(5,885)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(11,701)	74,447
INVESTING ACTIVITIES		
Interest received	175	94
Proceeds from disposal of property, plant and equipment	—	944
Purchase of property, plant and equipment	(2,932)	(8,680)
Deposits paid for acquisition of property, plant and equipment	(6,018)	(4,120)
Decrease in pledged bank deposits	38,735	28,139
Proceeds from disposal of available-for-sale financial assets	—	36
NET CASH FROM INVESTING ACTIVITIES	29,960	16,413
FINANCING ACTIVITIES		
New bank loans	578,101	293,179
Repayment of bank loans	(524,750)	(351,238)
New (repayment of) shareholder's loans	72	(19)
Interest paid	(11,063)	(9,310)
Repayment of obligations under finance leases	—	(7,914)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	42,360	(75,302)
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,619	15,558
Effect of foreign exchange rate changes	10,793	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	69,987	57,547
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	141,399	73,105

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The directors of the Company consider that the immediate 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 in Hong Kong is located at Room 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

During the six months ended 30 June 2011 (the "Period"), the Group was involved in the manufacture and sale of printed circuit boards.

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

2. 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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.

3. 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

3. SEGMENT INFORMATION (continued)

(a) Geographical information (continued)

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 (Unaudited) <i>HK\$'000</i>	30 June 2010 (Unaudited) <i>HK\$'000</i>
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.

4. 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 (Unaudited) HK\$'000	30 June 2010 (Unaudited) 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

5. OTHER GAINS AND LOSSES

	For the six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) 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)

6. 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)

7. 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

8. 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

8. INCOME TAX EXPENSE (continued)

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.

9. 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.

10. DIVIDEND

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

11. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment records. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days. The Group closely monitors its outstanding trade receivables. Overdue balances are reviewed regularly by 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) HK\$'000	31 December 2010 (Audited) 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

12. CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Cash and bank balances	141,399	108,046
	141,399	108,046
<i>Less:</i> Pledged bank deposits for bank loans	—	38,059
Cash and cash equivalents	141,399	69,987

13. 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.

14. INTEREST-BEARING BANK LOANS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current		
Bank loans, secured	411,612	344,833
	411,612	344,833

The bank loans of the Group are secured by certain buildings and leasehold land held by the Group; the assignment of trade receivables of a subsidiary of the Group; and the pledged bank deposits held by the Group, if any. All bank loans carried floating interest rates and the effective interest rates ranged from 3.80% to 6.67% (2010: 2.77% to 5.84%) per annum.

15. SHAREHOLDER'S LOANS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Unsecured loans from a controlling shareholder:		
— interest bearing prime rate plus 1% and repayable on 2 January 2012	49,072	49,000
	49,072	49,000

The shareholder's loans were advanced by Mr. Cheok Ho Fung, a director and controlling shareholder of the Company. The effective interest rate of the loans is 6% per annum.

16. 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

17. OPERATING LEASE COMMITMENTS

As at 30 June 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the period as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	6,056	5,535
In the second to fifth years, inclusive	5,061	1,936
	11,117	7,471

17. OPERATING LEASE COMMITMENTS (continued)

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.

18. CAPITAL AND OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following commitments at the end of the reporting period:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Capital and other expenditure, contracted for but not provided in the consolidated financial statements, in respect of:		
the construction of factory buildings	545	1,557
the acquisition of plant and machinery	4,466	1,720
	5,011	3,277
Capital and other expenditure, authorised but not contracted for in respect of:		
the construction of factory buildings	1	12,436
the acquisition of plant and machinery	9,965	23,612
	9,966	36,048

19. RELATED PARTY TRANSACTIONS

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

Related party	Notes	Nature of transaction	For the six months ended	
			30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Keentop Investment Limited ("Keentop")	(i)	Rental and management fee expenses	1,034	1,032
Mr. Cheok Ho Fung	(ii)	Interest on shareholder's loans	1,477	25
Topsearch PCB Marketing (Thailand) Co., Ltd.	(iii)	Marketing service fee paid to an associate	—	83

Notes:

- (i) The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 10 June 2008, the monthly rental and management fee was HK\$163,000 and HK\$9,000 respectively, for the period from 1 June 2008 to 31 May 2011. A new tenancy agreement was entered on 1 June 2011, with the monthly rental and management fee fixed at HK\$165,000 and HK\$9,000 respectively for the period from 1 June 2011 to 31 May 2014.
- (ii) The interest expense was charged at HIBOR and prime rate plus 1% for the shareholder's loans granted by Mr. Cheok Ho Fung during the period from January through June 2010 and from January through June 2011 respectively.
- (iii) The marketing service fee was paid at prices mutually agreed between the parties for marketing services provided by an associate.
- (b) Details of the compensation of key management personnel of the Group were as follows:

	For the six months ended	
	30 June 2011 (Unaudited) HK\$'000	30 June 2010 (Unaudited) HK\$'000
Short-term benefits	3,747	3,757
Post-employment benefits	136	136
	3,883	3,893