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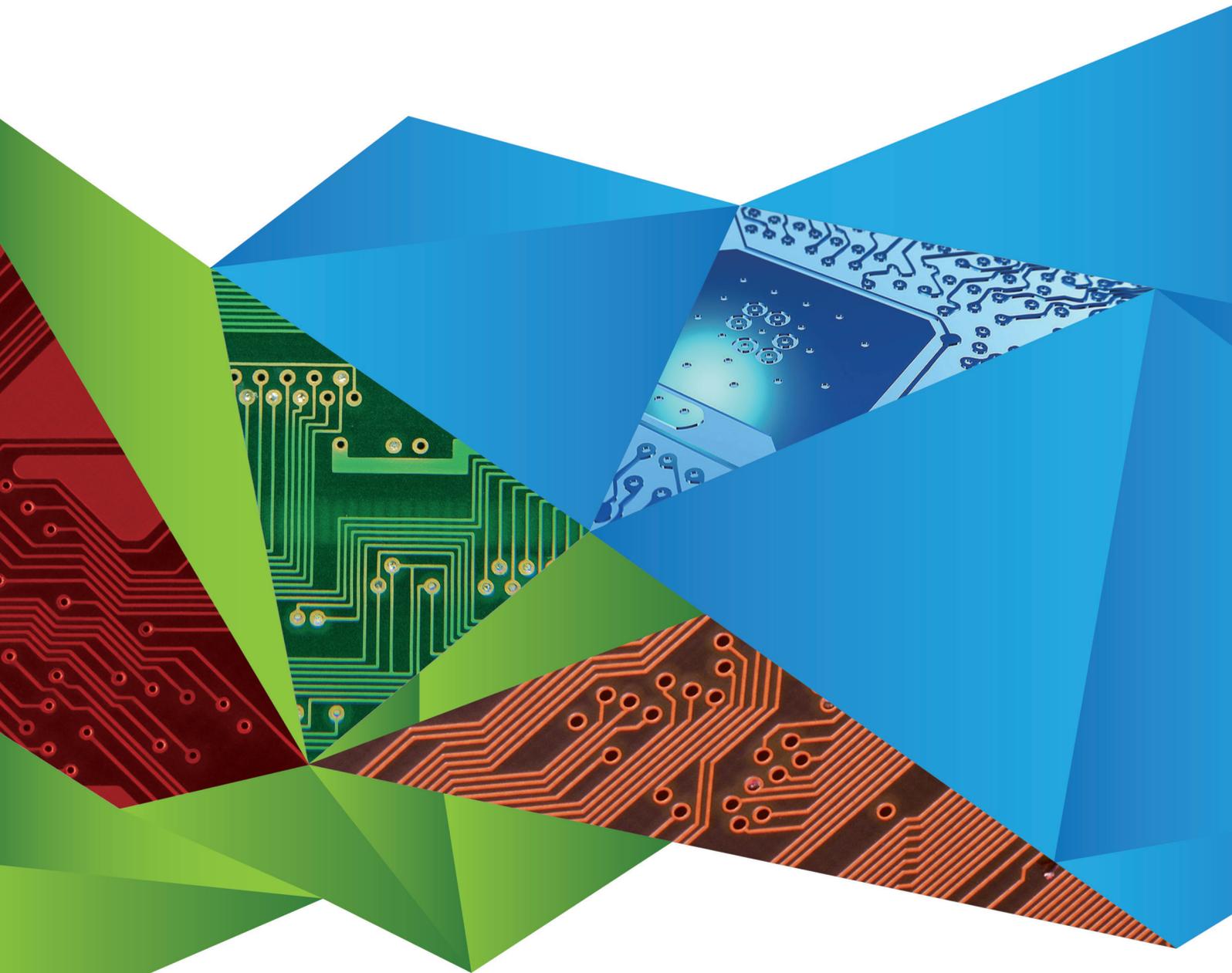
T O P S E A R C H

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)



*For identification purposes only

INTERIM REPORT 2014

Pages

Chairman's Statement	2-3
Management Discussion and Analysis	4-7
Disclosure of Additional Information	8-14
Unaudited Condensed Consolidated Statement of Comprehensive Income	15
Unaudited Condensed Consolidated Statement of Financial Position	16-17
Unaudited Condensed Consolidated Statement of Changes in Equity	18
Unaudited Condensed Consolidated Statement of Cash Flows	19
Notes to the Unaudited Condensed Consolidated Financial Statements	20-33

Chairman's Statement

FINANCIAL PERFORMANCE

Compared to the unaudited condensed consolidated interim results for the corresponding period in 2013, the revenue of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2014 (the "Period") decreased. The Group's loss before income tax for the Period was approximately HK\$36.3 million as compared to loss before income tax of approximately HK\$36.6 million for the corresponding period of 2013. Loss per share attributable to owners of the Company was Hong Kong 3.62 cents for the Period, as compared to loss per share attributable to owners of the Company of Hong Kong 3.52 cents for the corresponding period of 2013.

DIVIDENDS

The board of directors (the "Board" or "Directors") of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (2013: HK\$Nil).

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards (the "PCB") during the six months ended 30 June 2014.

There had not been any material changes during the six months ended 30 June 2014 in respect of such matters being discussed in the paragraph under the section headed "Financial Performance" in the Chairman Statement contained in 2013 Annual Report of the Company.

In fact, the Group was still facing the difficulty in encountering the reduction in world-wide demand for personal computers which led to reduction in the demand for their ancillary parts and equipment including Hard Disk Drives, which has been the Group's major products supplied to our customers, leading to a comparatively low sales revenue for the six months ended 30 June 2014. Therefore, the Group had just been able to achieve sales turnover of about HK\$318 million for the six months ended 30 June 2014, representing a decrease of approximately 13.0% as compared to the corresponding period of 2013. In the meantime, the Group's gross profit decreased by 65.8% and its gross profit margin decreased from 13.6% to 5.3% mainly due to the Group's further reduced sales turnover notwithstanding that the Group's overall operating expenses for the same period have decreased as a result of its effective cost control measures and also the depreciation of Renminbi during the current period under review, as compared to appreciation in Renminbi for the last interim review period. Reduced sales turnover was primarily due to the reduced production capacity during the learning curve when the Group's new products (regarding different house-hold names in the Automotive and Domestic Appliances application) were introduced during the Period. As a whole, the Group finally recorded net loss of approximately HK\$37.9 million for the six months ended 30 June 2014 (2013: HK\$36.9 million).

BUSINESS REVIEW (continued)

To improve the Group's financial position progressively, the Group has been implementing various sales strategies to increase the sales turnover and profit margins of its products. The Group will continue to enhance its marketing efforts to expand its market coverage and will further improve its product mix and plan to develop new products so as to widen its market coverage. The Group has been taking various cost control measures to tighten the costs of operations and various general and administrative expenditure especially after the completed relocation of production facilities from Shenzhen to Shaoguan.

PROSPECT

Although the global PC Market has recovered in the first six months of 2014 due to the slowing down of the tablets shipments and the need to upgrade current PC installation as a result of its software support restructuring, the Group has unfortunately not been benefited because the vendor base in the supply chain of some of its customers has been consolidated.

While this is a set back to the Group, the situation is being remedied through the offering of new products to other sectors other than the PC and PC related market. During the first six months in 2014, the Group has obtained various approval status from different household names in the Automotive and Domestic Appliances application. However, since the new products call for very different specification and quality requirement, the Group was undergoing a learning curve which has affected the production capacity in the reporting period and such learning curve can only be completed towards the end of this year. If this hardship is overcome, the Group will expect to regain and increase its order bookings and shipments.

APPRECIATION

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

On behalf of the Board

Cheok Ho Fung

Chairman and Chief Executive Officer

Hong Kong, 18 August 2014

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financial resources

The Group generally finances its operations through a combination of internally generated cash flows, shareholders' equity, borrowings from bank, finance leases, and shareholder's loans.

As at 30 June 2014, the Group had total equity of HK\$494 million (31 December 2013: HK\$553 million) and net debt (trade payables, other payables and accruals, interest-bearing bank loans, amount due to an associate, obligation under finance leases and shareholder's loans less cash and cash equivalents) of HK\$421 million (31 December 2013: HK\$389 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 46% (31 December 2013: 41%).

As at 30 June 2014, the Group's net current liabilities of HK\$82 million (31 December 2013: HK\$40 million) consisted of current assets of HK\$372 million (31 December 2013: HK\$332 million) and current liabilities of HK\$454 million (31 December 2013: HK\$372 million), representing a current ratio of 0.82 (31 December 2013: 0.89).

As at 30 June 2014, the Group's current assets consisted of HK\$132 million (31 December 2013: HK\$86 million) of cash and cash equivalents, of which 2% was in Hong Kong dollars ("HKD"), 72% was in United States dollars ("USD"), 25% was in Renminbi ("RMB") and 1% in other currencies.

Interest-bearing borrowings

As at 30 June 2014, the Group had interest-bearing borrowings as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Amounts payable:		
Within one year	178,607	103,009
In the second year	99,449	103,322
In the third to fifth years, inclusive	697	391
	278,753	206,722
<i>Less: Portion classified as current liabilities</i>	178,607	103,009
Portion classified as non-current liabilities	100,146	103,713

FINANCIAL REVIEW (continued)

Interest-bearing borrowings (continued)

Of the total interest-bearing borrowings, HKD denominated borrowings accounted for 32% (31 December 2013: 46%), USD denominated borrowings accounted for 51% (31 December 2013: 32%), and the remaining 17% was RMB denominated borrowings (31 December 2013: 22%) as at 30 June 2014.

Bank loans of HK\$83,619,000 (31 December 2013: HK\$63,088,000) carried floating interest rates and the effective interest rates ranged from 3.43% to 3.82% (31 December 2013: ranged from 2.51% to 3.55%) per annum. The remaining bank loans carried fixed interest rates ranged from 3.82% to 6.0% (31 December 2013: 6.0%) per annum. The Board does not recognise a significant seasonality of borrowing requirements.

As at 30 June 2014 and 31 December 2013, the bank loans and other banking facilities of the Group are secured by:

- (i) certain buildings and payments for leasehold land held for own use under operating leases in the PRC held by a subsidiary of the Group; and
- (ii) the assignment of trade receivables of a subsidiary of the Group.

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Denominated in USD	137,869	63,088

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Interest-bearing borrowings (continued)

There are shareholder's loans advanced by Mr. Cheok Ho Fung, the Executive Director, Chairman of the Board, Chief Executive Officer and a controlling shareholder of the Company, at the effective interest rate of 7% (31 December 2013: 7%) per annum.

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Denominated in RMB	4,150	4,256
Denominated in USD	3,650	3,650

MATERIAL ACQUISITIONS OR DISPOSALS

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associated companies during the first half year of 2014.

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 46% of the Group's purchases and 80% 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 2014, excluding the associated companies, the Group had approximately 2,129 employees (31 December 2013: 2,115). For the six months ended 30 June 2014, the Group's total staff costs amounted to HK\$76 million (six months ended 30 June 2013: HK\$84 million).

There have been no material changes to the information disclosed in the 2013 Annual Report in respect of the share option scheme (which has been expired), remuneration policies and staff training and development.

CAPITAL COMMITMENTS

As at 30 June 2014, the Group's capital commitments contracted but not provided for amounted to approximately HK\$2 million (31 December 2013: approximately HK\$6 million) and there was no capital commitments authorised but not contracted for (31 December 2013: Nil). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

The Group's current information in relation to those matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") has not changed materially from the information disclosed in its most recently published 2013 Annual Report.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 19 to the unaudited condensed consolidated financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' Interests in Shares

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company, or their respective associates in the share capital, 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 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	7.83%
	<i>Note</i> 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. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

1. Directors' Interests in Shares (continued)

(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.

(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director	Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheek 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. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

2. Directors' Interests in Share Options of the Company

As at 30 June 2014, none of the Company's directors held share options of the Company. The share option scheme of the Company expired on 30 May 2012.

Saved as disclosed above, as at 30 June 2014, none of the directors or chief executive of the Company or their respective associates 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.

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

Long positions in Shares:

As at 30 June 2014, the interests or short positions of every person holding 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes		Number of ordinary shares held	Percentage of issued capital
Inni International Inc.	Direct	Long position	432,000,000	43.20%
Mr. Cheok Ho Fung	Direct	Long position	78,250,000	7.83%
	(i) Deemed	Long position	432,000,000	43.20%
	Total		510,250,000	51.03%
Mrs. Cheok Chu Wai Min	(ii) Deemed	Long position	510,250,000	51.03%
Hallgain Management Limited	(iii) Deemed	Long position	206,992,000	20.70%

Disclosure of Additional Information

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

Long positions in Shares: (continued)

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Kingboard Chemical Holdings Limited	Direct	Long position		2,766,000	0.28%
	(iii) Deemed	Long position		204,226,000	20.42%
		Total		206,992,000	20.70%
Jamplan (BVI) Limited	(iii) Deemed	Long position		204,226,000	20.42%
Kingboard Laminates Limited	(iii) Direct	Long position		202,000	0.02%
Kingboard Investments Limited	(iii) Direct	Long position		204,024,000	20.40%

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 as held by 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, holders of 204,024,000 and 202,000 shares in the Company respectively, are a 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 34.10% equity shares in Kingboard Chemical Holdings Limited.

Disclosure of Additional Information

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

Long positions in Shares: (continued)

Saved as disclosed above, as at 30 June 2014, 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 share option scheme of the Company, the life of which is 10 years from its date of adoption on 30 May 2002, expired on 30 May 2012. The Board considered at its meeting and resolved not to propose any new share option scheme for the Company at this moment until otherwise further determined by the Board in future.

MATERIAL CHANGES

There has been no material change in respect of any other matters since the publication of the Company's 2013 Annual Report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company (the "Senior Management") are of the opinion that the Company has properly operated in accordance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") during the six-month period from 1 January to 30 June 2014 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 Listing Rules. The Company has complied with the code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the section headed "Compliance with CG Code" below.

CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

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, the Company has complied with the code provisions set out in the CG Code during the period from 1 January to 30 June 2014 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 provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

The Board will carry out a 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.

Disclosure of Additional Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE") (continued)

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 2014. Members of the Senior Management, who, due to their positions in the Company, are likely to be in possession of inside information, have also complied with the provisions of the Own Code.

THE BOARD OF DIRECTORS

As at the date of this Report, the Board consists of six 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 2013 Annual Report. The detailed composition of the Board during the Period and as at the date of this Report is as follows:

Name of Directors

Position

Executive Director

Mr. Cheok Ho Fung

Chairman of the Board and the executive committee respectively and Chief Executive Officer

Non-Executive Directors

Mr. Tang Yok Lam, Andy

Member of remuneration committee and nomination committee respectively

Mr. Ng Kwok Ying, Alvin

Member of audit committee

Independent Non-Executive Directors

Mr. Leung Shu Kin, Alfred

Chairman of remuneration committee, and member of audit committee and nomination committee respectively

Mr. Wong Wing Kee

Chairman of nomination committee, and member of audit committee and remuneration committee respectively

Mr. Ng Kee Sin

Chairman of audit committee

AUDIT COMMITTEE

The audit committee, comprising all the three independent non-executive directors and one non-executive director of the Company, has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014 and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to internal control and financial reporting of the Group.

Unaudited Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
	<i>Notes</i>	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	4	317,511	364,786
Cost of sales		(300,550)	(315,164)
Gross profit		16,961	49,622
Other income	4	2,880	2,109
Other gains and losses	5	10,247	(5,204)
Selling and distribution costs		(25,272)	(40,639)
Administrative expenses		(34,227)	(32,228)
Finance costs	6	(6,862)	(10,285)
LOSS BEFORE INCOME TAX	7	(36,273)	(36,625)
Income tax	8	(1,666)	(294)
LOSS FOR THE PERIOD		(37,939)	(36,919)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(21,299)	10,344
Total comprehensive income for the period		(59,238)	(26,575)
Loss for the period attributable to:			
Owners of the Company		(36,174)	(35,166)
Non-controlling interests		(1,765)	(1,753)
		(37,939)	(36,919)
Total comprehensive income for the period attributable to:			
Owners of the Company		(57,412)	(24,880)
Non-controlling interests		(1,826)	(1,695)
		(59,238)	(26,575)
Loss per share attributable to owners of the Company			
— Basic and diluted	9	HK3.62 cents	HK3.52 cents

Unaudited Condensed Consolidated Statement of Financial Position

		At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	531,285	549,204
Payments for leasehold land held for own use under operating leases		22,422	23,295
Interests in associates		118,580	118,580
Rental and utility deposits		840	752
Available-for-sale financial assets		1,857	1,857
Deposits paid for acquisition of property, plant and equipment		1,046	3,522
Total non-current assets		676,030	697,210
CURRENT ASSETS			
Inventories		90,534	92,172
Payments for leasehold land held for own use under operating leases		582	597
Trade receivables	12	121,368	126,033
Prepayments, deposits and other receivables		27,785	26,894
Amounts due from associates		24	24
Bank balances and cash		131,993	85,872
Total current assets		372,286	331,592
CURRENT LIABILITIES			
Trade payables	13	164,553	156,382
Other payables and accruals		104,808	107,811
Amount due to an associate		4,390	4,390
Interest-bearing bank loans	14	175,369	101,550
Tax payable		1,553	—
Obligation under finance leases		3,238	1,459
Total current liabilities		453,911	371,592

Unaudited Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Net current liabilities		(81,625)	(40,000)
Total assets less current liabilities		594,405	657,210
NON-CURRENT LIABILITIES			
Shareholder's loans	15	96,408	101,757
Obligation under finance leases		3,738	1,956
Total non-current liabilities		100,146	103,713
Total net assets		494,259	553,497
CAPITAL AND RESERVES			
Share capital	16	100,000	100,000
Reserves		399,123	456,535
Equity attributable to owners of the Company		499,123	556,535
Non-controlling interests		(4,864)	(3,038)
Total equity		494,259	553,497

Unaudited Condensed Consolidated Statement of Changes in Equity

	Equity attributable to owners of the Company								
	Share capital	Share premium	Contributed surplus	Foreign exchange reserve	Statutory reserve fund	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	100,000	337,854	19,000	182,800	7,335	(90,454)	556,535	(3,038)	553,497
Loss for the period	—	—	—	—	—	(36,174)	(36,174)	(1,765)	(37,939)
Other comprehensive income for the period:									
Exchange difference arising on translation of foreign operations	—	—	—	(21,238)	—	—	(21,238)	(61)	(21,299)
Total comprehensive income for the period	—	—	—	(21,238)	—	(36,174)	(57,412)	(1,826)	(59,238)
At 30 June 2014	100,000	337,854*	19,000*	161,562*	7,335*	(126,628)*	499,123	(4,864)	494,259

	Equity attributable to owners of the Company								
	Share capital	Share premium	Contributed surplus	Foreign exchange reserve	Statutory reserve fund	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	100,000	337,854	19,000	158,593	7,335	(73)	622,709	750	623,459
Loss for the period	—	—	—	—	—	(35,166)	(35,166)	(1,753)	(36,919)
Other comprehensive income for the period:									
Exchange difference arising on translation of foreign operations	—	—	—	10,286	—	—	10,286	58	10,344
Total comprehensive income for the period	—	—	—	10,286	—	(35,166)	(24,880)	(1,695)	(26,575)
At 30 June 2013	100,000	337,854*	19,000*	168,879*	7,335*	(35,239)*	597,829	(945)	596,884

* These reserve accounts comprise the reserves of HK\$399,123,000 (30 June 2013: HK\$497,829,000) in the unaudited condensed consolidated statement of financial position.

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
OPERATING ACTIVITIES		
Loss before income tax	(36,273)	(36,625)
Adjustments for:		
Depreciation of property, plant and equipment	16,988	18,129
Interest income	(253)	(312)
Finance costs	6,862	10,285
(Gain)/loss on disposal of property, plant and equipment	(120)	4
Release of prepaid lease payments	295	291
Write-down of inventories	347	—
Impairment loss on trade receivables	324	—
Write-off of other receivables	25	—
Operating cash flows before movements in working capital	(11,805)	(8,228)
Increase in rental and utility deposits	(88)	(4)
Decrease in inventories	241	15,857
Decrease in trade receivables	1,351	16,157
Decrease in prepayments, deposits and other receivables	2,131	16,460
Increase/(decrease) in trade payables	2,934	(38,302)
Decrease in other payables and accruals	(1,078)	(11,406)
Cash used in operations	(6,314)	(9,466)
Income tax paid	(95)	(3,672)
NET CASH USED IN OPERATING ACTIVITIES	(6,409)	(13,138)
INVESTING ACTIVITIES		
Interest received	253	312
Proceeds from disposal of property, plant and equipment	150	—
Proceeds from disposal of a subsidiary	—	305,017
Purchase of property, plant and equipment	(8,776)	(1,067)
Deposits paid for acquisition of property, plant and equipment	—	(2,630)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(8,373)	301,632
FINANCING ACTIVITIES		
New bank loans raised	280,736	241,610
Repayment of bank loans	(205,956)	(491,055)
Repayment of obligation under finance leases	(1,168)	—
Repayment of shareholder's loans	(5,243)	(5,461)
Interest paid	(6,862)	(10,285)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	61,507	(265,191)
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,725	23,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	85,872	63,934
Effect on foreign exchange rate changes	(604)	2,041
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	131,993	89,278
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	131,993	89,278

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The Directors consider that the immediate holding company and its ultimate holding company is Inni International Inc., which was incorporated in Liberia. Its ultimate controlling party is Mr. Cheok Ho Fung, the executive director and chief executive officer of the Company. The addresses of the registered office and principal place of business of the Company are Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and Room 3406, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong respectively.

The Company is an investment holding company. The principal activities of its principal subsidiaries are the manufacture and sale of a broad range of PCB.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") which is same as the functional currency of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 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 (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

In preparing the unaudited condensed 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 loss of HK\$37,939,000 during the six months period ended 30 June 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$81,625,000. In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group's operations as a going concern, the directors of the Company have taken the following measures:

- (i) as at 30 June 2014, the undrawn committed banking facilities available to the Group amounted to RMB109,705,000 (equivalent to approximately HK\$137,131,000) in respect of which all conditions precedent were met, out of which the banking facilities in the amount of RMB56,600,000 (equivalent to approximately HK\$70,750,000) would be repayable after one year from the date of drawdown but not later than 23 September 2016;
- (ii) the controlling shareholder of the Company has provided shareholder's loans of HK\$96,408,000 to the Company as at 30 June 2014, which will be repayable in July 2015. The controlling shareholder has undertaken to provide continuing financial support to the Group to meet its liabilities and commitments as and when they fall due in the next twelve months from the end of the reporting period. The undertaking from the controlling shareholder would render adequate fund and support to the Group for its operation and for its continuation as a going concern.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) Principal accounting policies, accounting estimates and judgements

The unaudited condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair value.

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except as described in (c) below.

The preparation of the unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the unaudited condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2013.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Adoption of new amendments to Hong Kong Financial Reporting Standards (the "HKFRSs")

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the HKICPA which are relevant to and effective for the Group's condensed consolidated financial statements for the annual period beginning on 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
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The adoption of the above new amendments to HKFRSs has had no material impact on the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

(d) New or revised HKFRSs that have been issued but are not yet effective and not early adopted by the Group

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments ⁵
HKFRS 15	Revenue from Contracts with Customers ⁴
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these pronouncements and the directors of the Company so far concluded that the adoption of these pronouncements will have no material impact on the Group's financial statements.

3. SEGMENT INFORMATION

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

(a) Geographical information

The following table provides an analysis of the Group's revenue from external customers by geographical market based on the location of customers:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Singapore	102,233	105,212
Malaysia	49,371	74,030
Thailand	45,413	58,194
The People's Republic of China (the "PRC")	32,318	54,370
Hong Kong	23,818	30,443
Europe	36,462	29,120
United States of America	9,027	5,915
Taiwan	5,316	4,408
Others	13,553	3,094
	317,511	364,786

Notes:

- (i) Revenue are attributed to the relevant countries on the basis of the customer's locations.
- (ii) Non-current assets other than available-for-sale financial assets amounting to HK\$659,586,000 and HK\$14,587,000 (31 December 2013: HK\$681,926,000 and HK\$13,427,000) are located in the PRC (entities' country of domicile) and Hong Kong, respectively.

3. SEGMENT INFORMATION (continued)

(b) Information about major customers

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Customer A	98,787	N/A*
Customer B	38,114	N/A*
Customer C	N/A*	97,465
Customer D	N/A*	47,964

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

4. REVENUE AND OTHER INCOME

Revenue represents the amounts received and receivable for goods sold by the Group to external customers, less returns, rebate, discounts and sales related taxes, if any, during the Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue		
Sales of goods	317,511	364,786
Other income		
Tooling income	1,016	505
Sample income	1,609	972
Interest income	253	312
Others	2	320
	2,880	2,109

Notes to the Unaudited Condensed Consolidated Financial Statements

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Write-off of other receivables	(25)	—
Net exchange gains/(losses)	10,476	(5,200)
Impairment loss on trade receivables	(324)	—
Gain/(loss) on disposal of property, plant and equipment	120	(4)
	10,247	(5,204)

6. FINANCE COSTS

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	3,218	6,729
Shareholder's loans	3,485	3,556
Obligation under finance leases	159	—
	6,862	10,285

7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories recognised as an expense	300,550	315,164
Write-down of inventories	347	—
Depreciation of property, plant and equipment	16,988	18,129
Release of prepaid lease payments	295	291

8. INCOME TAX

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
The income tax comprises:		
PRC Enterprise Income Tax		
Current period	1,571	—
Under-provision in prior years	95	294
Income tax	1,666	294

No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the Group has not derived any assessable profits in Hong Kong for the six months ended 30 June 2014 and 2013. No Macau profits tax has been provided as the subsidiary of the Company in Macau is exempted from Macau Complementary Tax for the six months ended 30 June 2014 and 2013.

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 Group's PRC subsidiaries is 25% (six months ended 30 June 2013: 25%).

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the Group's loss for the period attributable to owners of the Company of HK\$36,174,000 (six months ended 30 June 2013: loss of HK\$35,166,000) and the weighted average number of ordinary shares in issue of 1,000,000,000 (six months ended 30 June 2013: 1,000,000,000) during the six months ended 30 June 2014.

Diluted loss per share is equal to basic loss per share for the six months ended 30 June 2014 and 2013 as there were no potential dilutive ordinary shares in issue in both periods.

10. DIVIDENDS

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of approximately HK\$13,576,000 (six months ended 30 June 2013: approximately HK\$1,418,000). Items of property, plant and equipment with net carrying amount of approximately HK\$30,000 (six months ended 30 June 2013: approximately HK\$4,000) were disposed of during the six months ended 30 June 2014, resulting in a gain on disposal of approximately HK\$120,000 (six months ended 30 June 2013: loss of approximately HK\$4,000).

12. 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 (31 December 2013: 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 ageing analysis of trade receivables (net of allowance for doubtful debts) based on invoice date at the end of the reporting period:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0 — 30 days	48,763	47,852
31 — 60 days	49,686	53,158
61 — 90 days	21,344	21,439
Over 90 days	1,575	3,584
	121,368	126,033

13. TRADE PAYABLES

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

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
0 — 30 days	60,739	54,289
31 — 60 days	36,423	32,068
61 — 90 days	34,215	37,174
Over 90 days	33,176	32,851
	164,553	156,382

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2013: 60 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. INTEREST-BEARING BANK LOANS

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Secured bank loans repayable within one year	175,369	101,550

15. SHAREHOLDER'S LOANS

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 July 2015 (31 December 2013: 2 January 2015)	96,408	101,757

The shareholder's loans were advanced by Mr. Cheok Ho Fung, a director and controlling shareholder of the Company and carried a fixed interest rate of 7% (31 December 2013: 7%) per annum.

16. SHARE CAPITAL

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000

17. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Within one year	4,318	3,430
In the second to fifth years, inclusive	4,522	1,620
	8,840	5,050

Operating lease payments represent rentals payable by the Group for its office properties and staff quarters. Leases are negotiated for terms of one to three (31 December 2013: one to three) years with fixed rentals.

18. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	At 30 June 2014 (Unaudited) HK\$'000	At 31 December 2013 (Audited) HK\$'000
Capital expenditure, contracted for but not provided in the unaudited condensed consolidated financial statements, in respect of:		
— the construction of factory buildings	175	500
— the acquisition of plant and machinery	1,942	5,087
	2,117	5,587

Notes to the Unaudited Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in these unaudited condensed consolidated financial statements, during the Period, the Group entered into the following transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Keentop Investment Limited ("Keentop") (Note (i))	Rental expense and management fee expense	1,052	1,049
Mr Cheok Ho Fung (Note (ii))	Interest on shareholder's loans	3,485	3,556
無錫智速科技有限公司 (Note (iii))	Service fee	—	697

Notes:

- (i) The amount 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 1 June 2011, the monthly rental and management fees were HK\$165,000 and HK\$9,000 (whereas the monthly management fee was subsequently adjusted to HK\$9,900 since July 2011) respectively, for the period from 1 June 2011 to 31 May 2014. The tenancy agreement was renewed on 28 May 2014 for three years from 1 June 2014 to 31 May 2017 under the same terms and conditions except that the monthly management fee was increased to HK\$11,390 (subject to adjustment). The monthly rental was based on a market rental valuation provided by a firm of independent professionally qualified valuers, DTZ Debenham Tie Leung Limited.
- (ii) The interest expense was charged at a fixed rate of 7% (six months ended 30 June 2013: 7%) per annum on the shareholder's loans granted by Mr. Cheok Ho Fung during the Period.
- (iii) 無錫智速科技有限公司 ("無錫智速") was a company previously owned by the non-controlling equity owners of the Group's non-wholly-owned subsidiary, Excelio Technology (Hong Kong) Company Limited. The service fee was charged on mutually agreed terms. As at 30 June 2014, 無錫智速 is a subsidiary of the Group (i.e. 100% wholly-owned subsidiary of Excelio Technology (Hong Kong) Company Limited).

19. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short-term benefits	4,751	4,388
Post-employment benefits	151	137
	4,902	4,525

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The fair value of these financial assets and financial liabilities are determined as follows:

- the fair values of financial assets which are traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of financial assets and financial liabilities which are not quoted in active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quote for similar instrument.

Level 1 fair value measurements are derived from quoted prices (unadjusted) in active market for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Available-for-sale financial assets are measured subsequent to initial recognition at fair value, grouped into Level 2 (31 December 2013: Level 2).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated statement of financial position, except for interest-bearing bank loans and shareholder's loans, approximate to their fair values due to short maturity of these instruments. In addition, the fair value of interest-bearing bank loans and the shareholder's loans which are determined by discounting the expected future cash flows at market rates over the remaining maturity are not materially different from their carrying amounts.

21. CONTINGENT LIABILITY

As mentioned in the 2013 Annual Report of the Company, in January 2014, a customer filed a claim against the Group for an amount approximately HKD1.3 million (the "Dispute").

The Group has then compromised with this customer by paying a sum of HKD715,000 for the Dispute, but the Group has successfully recovered the same from its vendor, who has supplied inappropriate raw materials to the Group causing the Dispute. Since the products comprising the PCBs made by the Group supplied to the end-customers of this customer have not been fully consumed and tested, there is a possibility that further claims may arise but the directors of the Company are of the opinion that similar recovery of any further claim can be negotiated with the aforementioned vendor, thus no provision has been made in the interim financial statements in respect of the Dispute.