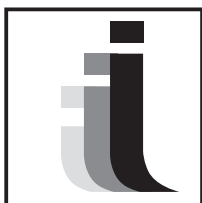


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TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED

至卓國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the “Board” or “Directors”) of Topsearch International (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period”), together with the comparative figures for the corresponding period in 2014.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2015	2014
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	292,903	317,511
Cost of sales		(281,590)	(300,550)
Gross profit		11,313	16,961
Other income	3	5,832	2,880
Other gains and losses	4	115,155	10,247
Selling and distribution costs		(21,967)	(25,272)
Administrative expenses		(37,807)	(34,227)
Finance costs	5	(8,711)	(6,862)
PROFIT/(LOSS) BEFORE INCOME TAX	6	63,815	(36,273)
Income tax	7	(15,592)	(1,666)
PROFIT/(LOSS) FOR THE PERIOD		48,223	(37,939)
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(122)	(21,299)
Release of translation reserve included in profit or loss upon disposal of an associate		(2,788)	—
Total comprehensive income for the period		45,313	(59,238)

* for identification purpose only

		Six months ended 30 June	
		2015	2014
	<i>Note</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Profit/(loss) for the period attributable to:			
Owners of the Company		49,899	(36,174)
Non-controlling interests		<u>(1,676)</u>	<u>(1,765)</u>
		<u>48,223</u>	<u>(37,939)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		46,990	(57,412)
Non-controlling interests		<u>(1,677)</u>	<u>(1,826)</u>
		<u>45,313</u>	<u>(59,238)</u>
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted	8	<u>HK4.99 cents</u>	<u>(HK3.62 cents)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	440,172	482,068
Payments for leasehold land held for own use under operating leases		21,840	22,131
Interests in associates		78,750	109,403
Rental and utility deposits		849	840
Available-for-sale financial assets		1,857	1,857
Deposits paid for acquisition of property, plant and equipment		94	198
		543,562	616,497
Total non-current assets			
CURRENT ASSETS			
Inventories		85,279	96,086
Payments for leasehold land held for own use under operating leases		582	582
Trade receivables	11	126,179	102,218
Prepayments, deposits and other receivables		110,101	21,963
Bank balances and cash		154,062	94,722
		476,203	315,571
Total current assets			
CURRENT LIABILITIES			
Trade payables	12	156,247	180,136
Other payables and accruals		141,993	100,499
Interest-bearing bank loans		165,018	101,616
Tax payable		1,295	136
Obligation under finance leases		4,504	4,095
		469,057	386,482
Total current liabilities			
Net current assets/(liabilities)		7,146	(70,911)
Total assets less current liabilities		550,708	545,586

		At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Shareholder's loans		93,907	95,661
Interest-bearing bank loans		37,500	75,000
Obligation under finance leases		2,075	3,012
		<u>133,482</u>	<u>173,673</u>
Total non-current liabilities		<u>133,482</u>	<u>173,673</u>
Total net assets		<u>417,226</u>	<u>371,913</u>
CAPITAL AND RESERVES			
Share capital	13	100,000	100,000
Reserves		326,715	279,725
		<u>426,715</u>	<u>379,725</u>
Equity attributable to owners of the Company		426,715	379,725
Non-controlling interests		(9,489)	(7,812)
		<u>417,226</u>	<u>371,913</u>
Total equity		<u>417,226</u>	<u>371,913</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

(a) *Basis of preparation*

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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 and other relevant provisions of 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 2014.

(b) *Principal accounting policies, accounting estimates and judgements*

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 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 2015 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014 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 2014.

(c) *Adoption of amendments to Hong Kong Financial Reporting Standards (the “HKFRSs”)*

In the current interim period, the Group has applied for the first time, the following 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 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

Except as explained below, the adoption of these amendments has no material impact on the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2015.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The adoption of the amendments to HKAS16 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with revaluations of its property, plant and equipment.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
HKFRS 15	Revenue from Contracts with Customers ²

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

² Effective for annual periods beginning on or after 1 January 2017

³ 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. 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.

2. Segment information

No segment information is presented as the manufacture and sale of printed circuit boards is the only 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, profit 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	93,304	36,462
The People's Republic of China (the "PRC")	42,594	32,318
Thailand	37,213	45,413
Malaysia	36,557	49,371
Hong Kong	25,584	23,818
United States of America	17,346	9,027
Singapore	14,417	102,233
Japan	12,581	4,675
Others	13,307	14,194
	292,903	317,511

Note:

Revenue are attributed to the relevant countries on the basis of the customers' locations.

(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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	46,439	98,787
Customer B	N/A*	38,114

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

3. 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	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Revenue		
Sales of goods	<u>292,903</u>	<u>317,511</u>
Other income		
Tooling income	1,527	1,016
Sample income	1,956	1,609
Interest income	149	253
Compensation received from insurance claims	1,735	—
Others	<u>465</u>	<u>2</u>
	<u><u>5,832</u></u>	<u><u>2,880</u></u>

4. Other gains and losses

	Six months ended 30 June	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Impairment loss on property, plant and equipment	(26,890)	—
Provision for employee termination benefits	(28,591)	—
Write-off of other receivables	(2,458)	(25)
Net exchange (losses)/gains	(395)	10,476
Impairment loss on trade receivables	(1,085)	(324)
Gain on disposal of property, plant and equipment	1	120
Gain on disposal of an associate	<u>174,573</u>	<u>—</u>
	<u><u>115,155</u></u>	<u><u>10,247</u></u>

5. Finance costs

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	5,111	3,218
Shareholder's loans	3,326	3,485
Obligation under finance leases	274	159
	<u>8,711</u>	<u>6,862</u>

6. Profit/(loss) before income tax

This is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories recognised as an expense	281,590	300,550
Write-down of inventories (Included in cost of inventories)	854	347
Depreciation of property, plant and equipment	16,338	16,988
Release of prepaid lease payments	290	295
	<u>281,590</u>	<u>300,550</u>

7. Income tax

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax comprises:		
PRC Enterprise Income Tax		
Current period	15,727	1,571
(Over)/under-provision in prior years	(135)	95
	<u>15,727</u>	<u>1,571</u>
Income tax	<u>15,592</u>	<u>1,666</u>

8. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share attributable to owners of the Company is based on the Group's profit for the period attributable to owners of the Company of HK\$49,899,000 (six months ended 30 June 2014: loss of HK\$36,174,000) and the weighted average number of ordinary shares in issue of 1,000,000,000 (six months ended 30 June 2014: 1,000,000,000) during the six months ended 30 June 2015.

Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share for the six months ended 30 June 2015 and 2014 as there were no potential dilutive ordinary shares in issue in both periods.

9. Dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$Nil).

10. Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of approximately HK\$1,428,000 (six months ended 30 June 2014: approximately HK\$13,576,000). Items of property, plant and equipment with net carrying amount of approximately HK\$2,000 (six months ended 30 June 2014: approximately HK\$30,000) were disposed of during the six months ended 30 June 2015, resulting in a gain on disposal of approximately HK\$1,000 (six months ended 30 June 2014: gain of approximately HK\$120,000).

(b) Impairment losses

The trend in reducing world-wide demand for personal computers led to reduction in the demand for their ancillary parts and equipment which are the Group's major products supplied to customers, leading to a substantial reduction of the Group's revenue for the six months ended 30 June 2015. Certain items of property, plant and equipment and payments for leasehold land held for own use under operating leases (the "Relevant Assets") which relate to the manufacture and sale of printed circuit boards business and also constitute the smallest cash-generating unit ("CGU"), were assessed for impairment. The recoverable amount of the CGU has been determined to be approximately HK\$330,000,000 by the directors of the Company with reference to a value-in-use calculation, using cash flow projection based on estimates and financial budgets approved by the management. These projections cover a 5-year period and extrapolate cash flows beyond such projection period using an estimated growth rate of 2%, and have been discounted using a pre-tax discount rate of 13%. All of the assumptions and estimations involved in the preparation of the cash flow projection including budgeted gross margin, discount rate and growth rate are determined by the management of the Group based on past performance, experience and their expectation for market development. In view of the carrying amount of the Relevant Assets being higher than the recoverable amount of this CGU, the Relevant Assets were written down to the recoverable amount, with impairment loss of approximately HK\$26,890,000 which were recognised in profit or loss under other gains and losses in the current Period.

11. Trade receivables

The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days (31 December 2014: 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 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
0 — 30 days	51,964	41,311
31 — 60 days	45,511	38,842
61 — 90 days	23,151	19,999
Over 90 days	5,553	2,066
	<u>126,179</u>	<u>102,218</u>

12. 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 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
0 — 30 days	49,140	41,320
31 — 60 days	27,062	39,644
61 — 90 days	26,244	28,216
Over 90 days	53,801	70,956
	<u>156,247</u>	<u>180,136</u>

The trade payables are non-interest bearing and are normally settled on terms of 60 to 120 days (31 December 2014: 60 to 120 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. Share capital

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>

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 2015.

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 Period. Therefore, the Group had just been able to achieve sales turnover of about HK\$293 million for the Period, representing a decrease of approximately 7.8% as compared to the corresponding period of 2014. In the meantime, the Group’s gross profit decreased by 33.3% and its gross profit margin decreased from 5.3% to 3.9% mainly due to the Group’s further reduced sales turnover. 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.

Reference is made to the announcements dated 9 and 21 January 2015, 9 February 2015, 30 March 2015 and 19 May 2015 respectively and the circular dated 29 April 2015, and the section of “Business Review” under the topic headed “Chairman’s Statement” in 2014 Annual Report of the Company (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid) regarding major disposal in relation to the disposal of 30% equity interest of Topsearch Printed Circuits (Shenzhen) Ltd. (the “Disposal Company”), previously an associate of the Group, and supplemental agreements concerning the asset separation arrangement and amendments of Consideration and payment manner.

On 15 May 2015, Topsearch HK, Shanghai Yuxing and Huatuo entered into a third supplemental agreement (the “3rd Supplemental Agreement”) to the Equity Transfer Agreement (and as amended by the Supplemental Agreement and the 2nd Supplemental Agreement), pursuant to which the parties thereof, amongst other amendments, agreed to amend the Consideration payable to Topsearch

HK from RMB170,234,720 (equivalent to approximately HK\$212,793,400) to RMB169,808,477 (equivalent to approximately HK\$212,260,596), and the payment manner of the Consideration payable to Topsearch HK, with details set out in the announcement dated 19 May 2015.

The Disposal was completed on 30 June 2015 and the Disposal Company ceased to be an associate of the Company on the same date and its financial results would no longer be consolidated into the financial statements of the Group since then. However, the Company is still holding 30% equity interest in 深圳市飛高至卓實業有限公司 which is an associate of the Company. The gain (after tax) of the Disposal of RMB125,880,000 (equivalent to approximately HK\$157,350,000) had been recognised in the financial statements during the Period. In the opinion of the Directors, the Group will be able to reduce its overall bank borrowings and to improve its net current liability financial position, and to fund for general working capital of the Group by using the net proceeds of the Disposal. As at the date of this announcement, the Company does not have any specific investment plan which requires the use of the net proceeds from the Disposal.

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 taken various cost control measures to tighten the costs of operations and various general and administrative expenditure.

There had been no material change or progress during the six months ended 30 June 2015 regarding disposal of a portion of a parcel of industrial land located in Phase II of Tongliao Economic Technology Development Zone in Inner Mongolia as disclosed under the section headed "Business Review" in the Chairmen's Statement contained in 2014 Annual Report of the Company.

Reference is made to the announcements dated 9 July 2015, 15 July 2015 and 12 August 2015 respectively regarding the Possible Transaction and the possible mandatory general offer in respect of the Shares and other securities of the Company (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements).

The Company was informed by Inni International Inc., the controlling shareholder of the Company, and its associate (the "Potential Vendors"), that, on 9 July 2015, a memorandum of understanding (the "MOU") was entered into between the Potential Vendors and an independent third party (the "Potential Purchaser") of a possible transaction, which, if materialised, may lead to a change in control of the Company and a mandatory general offer under the Takeovers Code for all the issued Shares (other than those already owned by or agreed to be acquired by the Potential Purchaser and parties acting in concert with it) of the Company (the "Possible Transaction").

On 12 August 2015, the Company updated its shareholders in its monthly updated announcement that as informed by Inni International Inc., the controlling shareholder of the Company, and its associate, the negotiation in respect of the Possible Transaction was still in progress and no legally binding agreement for the Possible Transaction had been entered into by the parties as at the date

of the announcement dated 12 August 2015. As such, there was no assurance that the Possible Transaction would proceed and the mandatory general offer for all the Shares and other securities of the Company might or might not be triggered or made.

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the aforesaid discussions will be made by the Company until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made.

Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and Takeovers Code (as the case may be).

PROSPECT

The HDD (Hard Disk Drive) industry from which the Group has derived her income substantially in the past years continued to show softness during the first six months of 2015, and there is no sign of recovery in the third quarter going forward. As indicated by various economic data globally and particularly in PRC, manufacturing in all kind of industries was in a general downtrend for the first six months of 2015 due to softness in demand and eroding margins. The Group is in no exception and therefore would not expect an immediate recovery in her performance for the whole year of 2015, although the latest depreciation of the RMB in the second week of August 2015 may help her operations in certain costs reduction.

Nevertheless, financial position of the Group will remain healthy as the completion of the disposal transaction of an associate has brought in substantial cash flow at the end of the first half 2015 and therefore enabled the Group to regain her positive net current assets position, despite the Group has recognised a significant provision for impairment on property, plant and equipment and employee termination benefits during the same period.

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 2015, the Group had total equity of HK\$417 million (31 December 2014: HK\$372 million) and net debt (trade payables, other payables and accruals, interest-bearing bank loans, obligation under finance leases and shareholder's loans less cash and cash equivalents) of HK\$447 million (31 December 2014: HK\$465 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 52% (31 December 2014: 56%).

As at 30 June 2015, the Group's net current assets of HK\$7 million (31 December 2014: net current liabilities of HK\$71 million) consisted of current assets of HK\$476 million (31 December 2014: HK\$315 million) and current liabilities of HK\$469 million (31 December 2014: HK\$386 million), representing a current ratio of 1.02 (31 December 2014: 0.82).

As at 30 June 2015, the Group's current assets consisted of HK\$154 million (31 December 2014: HK\$95 million) of cash and cash equivalents, of which 1% was in Hong Kong dollars ("HKD"), 59% was in United States dollars ("USD"), 39% was in Renminbi ("RMB") and 1% in other currencies.

Interest-bearing borrowings

As at 30 June 2015, the Group had interest-bearing borrowings as follows:

	At 30 June 2015 (Unaudited) HK\$'000	At 31 December 2014 (Audited) HK\$'000
Amounts payable:		
Within one year	169,522	105,711
In the second year	133,428	173,492
In the third to fifth years, inclusive	54	181
	<u>303,004</u>	<u>279,384</u>
<i>Less:</i> Portion classified as current liabilities	<u>169,522</u>	<u>105,711</u>
Portion classified as non-current liabilities	<u><u>133,482</u></u>	<u><u>173,673</u></u>

Of the total interest-bearing borrowings, HKD denominated borrowings accounted for 29% (31 December 2014: 33%), USD denominated borrowings accounted for 27% (31 December 2014: 23%), and the remaining 44% was RMB denominated borrowings (31 December 2014: 44%) as at 30 June 2015.

Bank loans of HK\$122,500,000 (31 December 2014: HK\$75,000,000) carried floating interest rates and the effective interest rates ranged from 5.5% to 6.15% (31 December 2014: 6.15%) per annum. The remaining bank loans carried fixed interest rates ranged from 1.07% to 1.6% (31 December 2014: ranged at 1.53% to 6%) per annum. The Board does not recognise a significant seasonality of borrowing requirements.

As at 30 June 2015 and 31 December 2014, 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 held by the Group;
- (ii) the assignment of trade receivables of a subsidiary of the Group; and
- (iii) corporate guarantee of the Company.

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 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
Denominated in USD	<u>80,018</u>	<u>64,116</u>

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 2014: 7%) per annum.

	At 30 June 2015 (Unaudited) <i>HK\$'000</i>	At 31 December 2014 (Audited) <i>HK\$'000</i>
Denominated in RMB	4,150	4,150
Denominated in USD	<u>643</u>	<u>643</u>

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in the paragraphs under "Business Review" in this announcement about the disposal of an associate and disposal of a parcel of land in Tongliao by the Group, 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 2015.

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 45% 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 2015, excluding the associate, the Group had approximately 2,138 employees (31 December 2014: 2,060). For the six months ended 30 June 2015, the Group's total staff costs amounted to HK\$80 million (six months ended 30 June 2014: HK\$76 million).

There have been no material changes to the information disclosed in the 2014 Annual Report in respect of the share option scheme (which has been expired), remuneration policies and staff training and development of the Group.

CAPITAL COMMITMENTS

As at 30 June 2015, the Group's capital commitments contracted but not provided for amounted to approximately HK\$0.2 million (31 December 2014: approximately HK\$0.3 million) and there was no capital commitments authorised but not contracted for (31 December 2014: Nil). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

MATERIAL CHANGES

Save as disclosed in the paragraphs under "Business Review" in this announcement, there has been no material change in respect of any other matters since the publication of the Company's 2014 Annual Report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company 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 2015 to 30 June 2015 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.

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 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 2015 to 30 June 2015 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.

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 2015. Members of the Company’s 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 announcement, the Board consists of five Directors with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance and investment professions. Their brief biographical particulars are set out in the 2014 Annual Report. The detailed composition of the Board during the Period and as at the date of this announcement is as follows:

Name of Directors

Position

Executive Director

Mr. Cheok Ho Fung

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

Non-Executive Director

Mr. Tang Yok Lam, Andy

Member of remuneration committee and nomination committee respectively

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 of the Company, has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015 and has discussed with the management of the Company about the accounting principles and accounting standards adopted by the Group and matters relating to internal control and financial reporting of the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the HKExnews website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.topsearch.com.hk. The 2015 interim report of the Company, which contains all the information required by the Listing Rules, will be despatched to shareholders of the Company and published on the above websites in due course.

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
Topsearch International (Holdings) Limited
Cheok Ho Fung
Chairman and Chief Executive Officer

Hong Kong, 17 August 2015

As at the date of this announcement, the Board comprises Mr. Cheok Ho Fung being the Executive Director, Mr. Tang Yok Lam, Andy being the Non-Executive Director, and Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Ng Kee Sin being Independent Non-Executive Directors.