至卓 TOPSEARCH

Topsearch International (Holdings) Limited

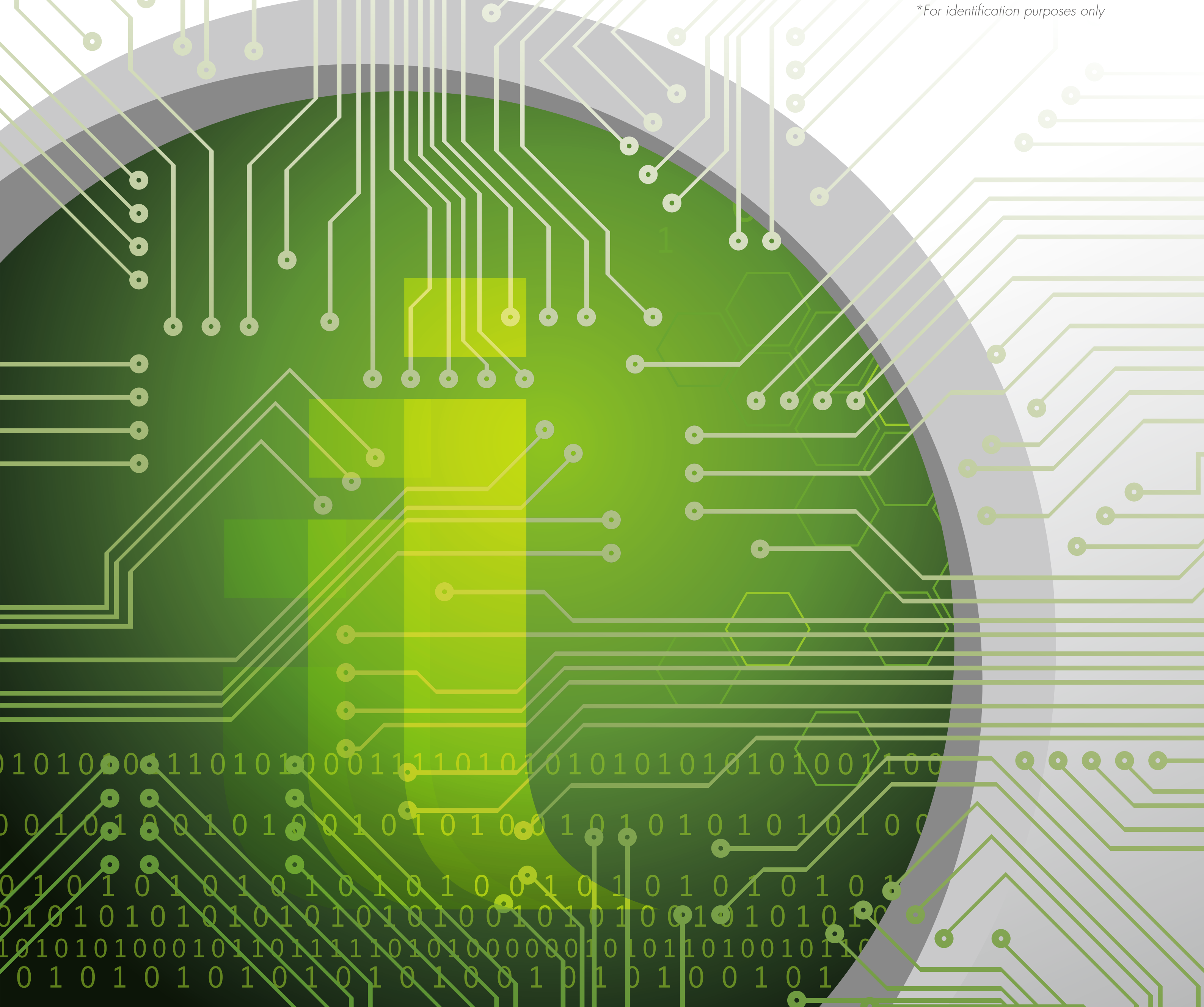
至 卓 國 際 （ 控 股 ） 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

ANNUAL REPORT
2009

*For identification purposes only



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EXECUTIVE DIRECTORS
Mr. Cheok Ho Fung *(Chairman)*
Mr. Liu Wai On
Mr. Kwok Chi Kwong *(Resigned on 16 June 2009)*

NON-EXECUTIVE DIRECTORS
Mr. Tang Yok Lam, Andy
Mr. Ng Kwok Ying, Alvin

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Leung Shu Kin, Alfred
Mr. Wong Wing Kee
Mr. Ng Kee Sin
Mr. Xiang Dong

COMPANY SECRETARY
Mr. Fong Ching Kong, Tony

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Appleby Management (Bermuda) Ltd.
Argyle House, 41A Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

REGISTERED OFFICE
Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
3406 China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Citic Ka Wah Bank
9th Floor, Lippo Centre Tower 1
89 Queensway
Hong Kong

China Construction Bank Shenzhen Branch
East Section, Financial Center
South Hongling Road, Shenzhen
People's Republic of China

Bank of China Shenzhen Branch
International Financial Building
2022 Jianshe Road, Shenzhen
People's Republic of China

Industrial and Commercial Bank of China Shaoguan Branch
No. 2 Jiangguo Road
Shaoguan
People's Republic of China

FINANCIAL CALENDAR
Half year results
Announced on 10 September 2009

Full year results
Announced on 28 April 2010

REGISTER OF MEMBERS
To be closed from 31 May 2010 (Monday) to 2 June 2010 (Wednesday)

ANNUAL GENERAL MEETING
To be held on 2 June 2010 (Wednesday)

DIVIDENDS
Interim : Nil
Final : Nil

COMPANY WEBSITE
www.topsearch.com.hk

Business Profile

Topsearch International (Holdings) Limited ("Topsearch") and its subsidiaries (the "Group") are principally engaged in the manufacture and sale of a broad range of printed circuit boards ("PCBs"). The Group has a global customer base comprising principally Electronics Manufacturing Services ("EMS") companies and Original Equipment Manufacturer ("OEM") which are engaged in the production of a diverse range of products for personal computers ("PC") and PC-related industries, as well as the telecommunications, office components, security, instrumentation equipment and consumer products industries.

Chairman's Statement

FINANCIAL PERFORMANCE

For the year ended 31 December 2009, the Group achieved sales of HK$1,190 million, representing a decrease of 23.7% over that of last year. Operating loss before interest and tax was HK$51 million, as compared to operating loss before interest and tax of HK$142 million in 2008. Loss attributable to shareholders amounted to HK$95 million, as compared to loss of HK$159 million in 2008. Basic loss per share was 9.5 Hong Kong cents, as compared to a loss per share of 15.9 Hong Kong cent in 2008.

DIVIDENDS

The board of directors (the "Board" or "Directors") does not recommend the payment of any dividend for the year ended 31 December 2009 (2008: Nil).

BUSINESS REVIEW

As disclosed in the annual report of the Company for the year ended 31 December 2008, the business performance of the Group continues to be adversely affected by the reduced demand of printed circuits boards ("PCBs") in the hard disk drive industry and overall production under-capacity.

Revenue dropped 23.7% from HK$1,559 million in 2008 to HK$1,190 million in 2009. However, the gross profit increased 15% over that of 2008. Thank to the drop of materials cost and the Group's internal stringent cost control measures, gross profit margin improved from 7.5% in 2008 to 11.2% in 2009.

To improve the Group's financial position and cashflow, a controlling shareholder advanced another HK$13 million, in addition to the advance of HK$43 million and RMB4 million (approximately HK$4.5 million) to the Company such made in 2008, during the year 2009 for financing its general working capital requirements.

On 22 April 2010, the Group entered into a strategic cooperative agreement with China Construction Bank, Shenzhen Branch. Pursuant to the agreement, the bank will offer to provide a total banking facility of amounting to RMB600 million during the next two years wherein not less than RMB150 million of such facility should be term loans with repayment period of over 12 months. Upon the execution of the new bank facility arrangement under such strategic cooperative agreement, the Group should become able to attain substantial improvement in the current ratio in the consolidated balance sheet.

The Group shall continue to allocate resources to upgrade its technical capabilities and enhance its marketing efforts to expand market coverage and further improve product mix.

Chairman's Statement

As disclosed in the annual report of the Company for the year ended 31 December 2008, the construction and machinery installation in Tongliao plant was already completed. The Company has planned that the mass production of the Tongliao plant will commence in the third quarter in the current year of 2010. The main products would be single layer PCBs, aluminum based PCBs and silver plugged PCBs. With the relatively small scale of production of this new plant, it is not expected that significant profit contribution and working capital requirement will be made by the Group to the Tongliao plant in the year of 2010.

On 17 February 2010, the Company entered into a Termination Agreement (as defined in the announcement dated 18 February 2010) to unwind the acquisition of two parcels of industrial land located in Tongliao Economic Development Zone, Inner Mongolia of PRC. Pursuant to the Termination Agreement, the Group will pay RMB350,000 to Majestic Wealth Limited as consideration to extinguish the Group's payment obligation in respect of the remaining balance of RMB18,303,502 where the Company will repurchase and cancel the Repurchased Shares (as defined in the announcement dated 18 February 2010) for no consideration, subject to both the majority consent of the Disinterested Shareholders (as defined in the announcement dated 18 February 2010) in the special general meeting of the Company to be held and the approval by the Executive of Securities and Futures Commission.

PROSPECTS

Although businesses have returned to a much normal situation comparing to the first quarter of 2009, it is with regret the Group still suffered from some losses during the second half of 2009 and does not expect such to turn around quickly during the first half of 2010.

The major challenges the Group reckons today are as follows:

1. Most major material prices, particularly copper, has re-bounced to their previous price level before the global financial crisis. Although customers in general share this view, the passing on of such material price increase to them would not be instant and may last for a while. This results in erosion of our gross profit margin during the first few months of 2010.

2. The general shortage of labour nationwide has resulted in the under-utilization of production capacity even though orders are in general sufficient. Comparing to the difficulty in hiring good quality and skilled laborers, the recent increase in the minimum wage in China nationwide becomes a less significant issue.

3. The potential appreciation of the RMB in the near term future definitely post an uncertainty to the profit turn around situation of the Group.

Having said, although we are being faced with all these challenges, we will strive to work harder and are confident that given time all these should be overcome through our continuous and daily efforts to recruit and re-train our staff and operators so that we can offer world-class products and quality, meantime finding all ways for further cost down as well.

Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to extend our 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, 28 April 2010

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company ("Senior Management") are of the opinion that during the year 2009, the Company has properly operated in accordance with the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") except for the deviation 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 financial year ended 31 December 2009, the Company has complied with 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 code provision A.2.1 of the CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Directors are of the opinion that the current arrangement will provide stronger leadership of the management for the Group and 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 review in the following year 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 a 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 year ended 31 December 2009. 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 the publication of this annual report, the Board consists of eight Directors (one has left the Group during the year), 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 on pages 36 to 43 of this annual report. Members of the Board and their respective attendance to Board meetings held during the year are as follows:

Name of Directors	**Attendance**
Executive Directors	
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	6/6
Mr. Liu Wai On	4/6
Mr. Kwok Chi Kwong, Danny *(resigned on 16 June 2009)*	1/6
Non-Executive Directors	
Mr. Tang Yok Lam, Andy	4/6
Mr. Ng Kwok Ying, Alvin	6/6
Independent Non-Executive Directors	
Mr. Leung Shu Kin, Alfred	5/6
Mr. Wong Wing Kee	4/6
Mr. Ng Kee Sin	5/6
Mr. Xiang Dong	4/6

The number of Board meetings held during the year ended 31 December 2009 was six.

The Company has exceeded the minimum requirements of the Listing Rules as to the number of independent non-executive Directors as three (the Board had four) and, one of whom has accounting and related financial management expertise. They have dedicated to provide the Company with professional advice with respect to the steady operation and development of the Company. They also exercised supervision and coordination to safeguard interests of the Company and its shareholders.

All of the independent non-executive Directors are considered to be independent for the purpose of Rule 3.13 of the Listing Rules. Each independent non-executive Director has provided an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Directors (excluding the independent non-executive Directors) consider that all independent non-executive Directors are independent for the purpose of Rule 3.13 of the Listing Rules.

Mr. Leung Shu Kin, Alfred, an independent non-executive Director, who is currently an executive director and equity partner of Elegance Printing Group, the printer of the Company, who has business relationship with the Company. Mr. Leung was and is considered to be independent by the Directors (excluding independent non-executive Directors) because his business dealings with the Group was considered not to be material.

There is no relationship (including financial, business, family or other material/relevant relationship(s)), among members of the Board save as disclosed below:

1. Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. The role of the Chairman and Chief Executive Officer are not segregated and are exercised by the same individual. The reason had been explained under the section headed "Compliance with CG Code";

2. Mr. Leung Shu Kin, Alfred, an independent non-executive Director, who is currently an executive director of Elegance Printing Group, the printer of the Company, who has business relationship with the Company as mentioned above;

3. Mr. Ng Kwok Ying, Alvin, a non-executive Director, who is currently a senior partner of Ng and Partners, Solicitors, who has business relationship with the Company. The Board considers that the Group's business dealings with Ng and Partners, solicitors was not material;

4. Mr. Xiang Dong, an independent non-executive Director, whose spouse is currently working as information technology manager of Topsearch Printed Circuits (Shenzhen) Limited, an indirectly wholly-owned subsidiary of the Company. Mr. Xiang was and is considered to be independent by the Directors (excluding independent non-executive Directors) because his spouse is not a director, the chief executive or a substantial shareholder of the Company and is therefore considered not to be connected.

All existing non-executive Directors have signed letters of appointment with the Company for a term of not more than three years, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company and the requirements of the Listing Rules. The remuneration of non-executive Directors will be fixed from time to time in accordance with the Bye-laws by the shareholders at the Company's general meetings.

THE OPERATION OF THE BOARD

The Board's main task is to supervise and direct the management of the Company to operate under good corporate governance in order to maximise value of the shareholders while balancing the interest of the various stakeholders. The Board holds meetings at least quarterly to monitor the performance of the Company as against the budget and to be briefed with market developments, to discuss and decide on major corporate, strategic and operational issues, and to appraise any good investment opportunities available.

The major duties performed by the Board are as follows:

1. setting the Company's values and standards;

2. setting the objectives of the Company and responsibilities of the Board;

3. establishing the strategic direction for the Company;

4. setting targets for the management;

5. monitoring the performance of the management;

6. supervising the annual and interim results of the Company;

7. ensuring that a framework of prudent and effective internal control is in place to assess and manage the risk of the Group and implementing appropriate systems to manage these risks;

8. overseeing the management of the Company's relationships with shareholders, customers, the community, various Government Authorities, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;

9. identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a Director;

10. determining material acquisitions and disposals of assets, investments, capital, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and

11. considering and determining issues which are the responsibilities of the Board pursuant to the Company's Memorandum of Association and Bye-laws and the relevant laws and regulations in force by which the Company is governed from time to time.

The Board delegates to the management major corporate matters as stated below:

1. preparation of the annual and interim results to be approved by the Board;

2. execution of the corporate strategies and directions adopted by the Board;

3. implementation of sufficient systems of internal controls and risk management procedures; and

4. carrying out daily business operations, etc.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established various Board Committees to oversee particular aspects of the Company's affairs. The Board Committees are governed by their respective Terms of Reference, which describe the authority and duties of the Board Committees and will be regularly reviewed and updated by the Board. The Board had recently updated respective Terms of Reference of Audit Committee, Remuneration Committee and Nomination Committee. The Board Committees include Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee.

AUDIT COMMITTEE

The Company's Audit Committee is composed of four independent non-executive Directors and one non-executive Director, with the Chairman having appropriate professional qualifications and experience in accounting and related financial management as required by the Listing Rules. The Audit Committee discharges its responsibilities as follows and in accordance with its terms of reference adopted by the Board:

1. reviewing the interim and annual results and financial statements of the Company;

2. reviewing and monitoring the reporting, accounting and financial policies and practices, risk management and internal control aspects of the Company;

3. reviewing the appointment, re-appointment, retirement, resignation or removal of the Company's external auditors and reviewing their remuneration and terms of engagement, and discussing their audit plan and scope, and also reports and issues raised by them, including but not limited to those in the management letter;

4. reporting directly to the Board;

5. ensuring full access by the Corporate Governance Department of any concerns that may have arisen during the course of the department's work;

6. conducting annual review of the effectiveness of the Group's internal control and risk management systems as delegated by the Board; and

7. ensuring the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff from the Group.

As at the date hereof, the members of the audit committee are Mr. Ng Kee Sin (Chairman), Mr. Ng Kwok Ying, Alvin, Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee and Mr. Xiang Dong.

During the year ended 31 December 2009, three Audit Committee meetings were held to review the financial results and reports for the year ended 31 December 2008 and for the six months ended 30 June 2009, risk management and internal control processes, related party transactions and continuing connected transactions, roles and responsibilities as well as works performed by the Corporate Governance Department, and the re-election and change of the external auditors. The attendance record of each member of the Audit Committee at Audit Committee meetings is set out below:

Members of Audit Committee	**Attendance**
Mr. Ng Kee Sin *(Chairman) (Independent Non-Executive Director)*	3/3
Mr. Ng Kwok Ying, Alvin *(Member) (Non-Executive Director)*	3/3
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-Executive Director)*	3/3
Mr. Wong Wing Kee *(Member) (Independent Non-Executive Director)*	3/3
Mr. Xiang Dong *(Member) (Independent Non-Executive Director)*	3/3

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect to the Company. During the year under review, the Group is required to pay to the Auditors, Messrs Deloitte Touche Tohmatsu, the following fees:

Type of services provided by the external auditors	**Fee paid/payable** *(HK$)*
Audit services:	
Audit of the annual financial statements for the year ended 31 December 2009	1,500,000
Non-audit services:	
Tax compliance	18,000
Review of ongoing connected transactions	20,000
	1,538,000

REMUNERATION COMMITTEE

The Remuneration Committee carries out the following duties and in accordance with its terms of reference adopted by the Board:

1. ensuring formal and transparent procedures for overseeing and developing policies on the remuneration packages of Directors and senior managers;

2. assessing the achievement and performance of Executive Directors and Senior Management;

3. approving the terms of Executive Directors' service contracts; and

4. providing effective supervision and administration of the Company's share option schemes and other share incentive schemes.

As at the date hereof, it comprises three members, namely Mr. Leung Shu Kin, Alfred (Chairman), Mr. Tang Yok Lam, Andy and Mr. Xiang Dong, the majority of whom are Independent Non-Executive Directors.

During the year ended 31 December 2009, one Remuneration Committee meeting was held to discuss and review the remuneration and bonus of Executive Directors of the Company and the remuneration policies of the Company. The attendance record of each member of the Remuneration Committee at Remuneration Committee meeting is set out below:

Members of Remuneration Committee	**Attendance**
Mr. Leung Shu Kin, Alfred *(Chairman) (Independent Non-Executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-Executive Director)*	1/1
Mr. Xiang Dong *(Member) (Independent Non-Executive Director)*	1/1

NOMINATION COMMITTEE

The Nomination Committee carries out the following tasks in accordance with its nomination procedures and criteria as follows and in accordance with its terms of reference adopted by the Board:

1. recommending and nominating candidates to fill vacancies or as addition to the Board by considering the candidates' past performance and experience, academic and working qualifications, general market conditions in accordance with the requirements set out in the Listing Rules and the Company's Bye-laws so as to make the composition of the Board filled with a variety and a balance of skills and experience;

2. reviewing regularly the roles of Directors by considering the issues of conflict of interest, their performance and conduct; and

3. assessing the independence of independent non-executive Directors.

As at the date hereof, the members of the Nomination Committee are Mr. Wong Wing Kee (Chairman), Mr. Leung Shu Kin, Alfred, Mr. Tang Yok Lam, Andy and Mr. Xiang Dong.

During the year ended 31 December 2009, the Nomination Committee had met once and discussed and reviewed the role, performance and conduct of the existing Directors (including but not limited to the issues on conflict of interest), the nomination of potential candidate in place of the resigned Director to the Board and the renewal of terms of appointment in the letters of appointment of various Directors. The attendance record of each member of the Nomination Committee at the Nomination Committee meeting is set out below:

Members of Nomination Committee	**Attendance**
Mr. Wong Wing Kee *(Chairman) (Independent Non-Executive Director)*	1/1
Mr. Leung Shu Kin, Alfred *(Member) (Independent Non-Executive Director)*	1/1
Mr. Tang Yok Lam, Andy *(Member) (Non-Executive Director)*	1/1
Mr. Xiang Dong *(Member) (Independent Non-Executive Director)*	1/1

Under the CG Code provision A.4.2, every Director should be subject to retirement by rotation at least once every three years. The Bye-laws of the Company has provided that at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

EXECUTIVE COMMITTEE

The Executive Committee of the Board meets regularly and operates with overall delegated authority from the Board. The Executive Committee reports through the Chairman to the Board. The Executive Committee carries out the following tasks:

1. determining group strategy;
2. setting targets for the management;
3. reviewing business performance;
4. ensuring adequate funding; and
5. examining major investments.

As at the date hereof, the members of the Executive Committee are Mr. Cheok Ho Fung and Mr. Liu Wai On.

Members of the Executive Committee	Attendance
Mr. Cheok Ho Fung *(the Chairman and Chief Executive Officer)*	1/1
Mr. Liu Wai On	1/1
Mr. Kwok Chi Kwong, Danny *(resigned on 16 June 2009)*	1/1

CORPORATE MANAGEMENT AND INTERNAL CONTROL

Corporate Governance Department:

The Corporate Governance Department plays a major role in monitoring the internal corporate governance of the Group. The Department has unrestricted access to the information that allows it to review all aspects of the Group's risk management and governance processes in connection with nature of compliance and legal requirements. It also has the power to consult the Audit Committee without reference to the management.

Internal Audit Division:

There is an internal audit division in the Corporate Governance Department. Under an audit plan, it conducts audits of the practices, procedures and internal controls of all business and support units. As requested by the relevant Board Committees, it also conducts ad-hoc reviews or investigations in relation to all types of business operations of the Group.

The management systems for occupational health, safe environment and quality standards are set up. The perfection of the internal control system is properly established and the Board and the Senior Management have paid significant attention to it. The internal audit division is responsible for overall system establishment and comprehensive perfection in corporate internal control. Key tasks of the internal audit function include:

1. unlimited authority of access to review different aspects of the Group's business activities and internal control procedures;

2. regular performance of the comprehensive audit of the working procedures, practices, expenses, investment, asset management of the special business unit and the Group;

3. special reviews and investigations for ad-hoc projects; and

4. liaison with Senior Management and the Board on the effectiveness and efficiency of the management and the assurance against material financial misstatements.

Internal Control:

The Board holds full responsibility for the system of internal control of the Group and continuously reviews its effectiveness from time to time. The internal audit division performs investigation of the effectiveness of material processes and controls on a risk-based approach in accordance with the provisions on internal controls as set forth in the CG Code. The findings are reported to the Audit Committee. The Board, through the Audit Committee, has at least annually reviewed the effectiveness of the system of internal control of the Group for the year ended 31 December 2009. The review had covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board considers the internal control systems (including but not limited to the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, its training programmes and budget) is effective and adequate.

The Board has implemented procedures and internal controls for the handling and dissemination of price sensitive information.

OPERATION RISKS

The Group has implemented appropriate policies and procedures for all major operations. In particular, the management of the Group closely monitors the procurement process and performs due diligence check on the vendors. The In Process Quality Assurance Department and Reliability Department ensure the stability of the manufacturing process and control products quality. The Group also strives to promote human resources reforms and comprehensively enhances cost management. By establishing clear policies and requiring well-documented business process, the exposure to operation risks is considered minimal.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company is committed to our society on the impact of our business to the environment and wishes to create value to the community in which we operate. We have done the following in this area:

Environmental Policy

Traditionally, the manufacture of PCBs is classified as a pollution industry. In view of it, the Company pledges to uphold quality management and implement policies for conserving resources and managing waste. The Company has established the following policies in compliance with environmental regulations.

1. During the stage of design, research and development, environmental impact assessment for each material or machinery is conducted prior to any purchase decision. Accordingly, such impact assessment data is considered as one of the key criteria for procurement decisions.

2. During production, consumption, delivery and waste disposal, the Company undertakes environmental protection measures through technological enhancement, usage of recycling materials and conservation of resources. Besides, minimum environmental impact approach and systematic recycling methods are employed to best protection to the environment as well as the ecosystem.

3. The Company commits to fulfill and comply with national and regional environmental protection regulations and establishes self-regulating frameworks and standards accordingly.

4. Awareness for environmental protection of all staff is enhanced through environmental protection activities, training program and promotion. The concept of “Reduce”, “Reuse”, “Recycle” are heavily promoted. By promoting them, the Company is striving to protect the environment as well as contributing back to the society.

5. Top management of the Group is acting as a core for establishing a well-defined structure and system for environmental management by outlining corresponding responsibility, scope and policy. Besides, this environmental protection policy is always given first priority, overriding production needs wherever necessary.

6. The Company always keeps track of the development of international environmental protection legislation and ensures its environmental policy is implemented not only to comply with international standards, but also to ensure it is at the same pace as worldwide counterparts.

ENVIRONMENTAL RESEARCH PROJECTS

Since 2001, the Company started sponsoring Tsinghua University (one of the top research and education institutions in China) for the establishment of the "Tsinghua Topsearch R&D Centre of Green Manufacturing" to achieve the following:

1. conduct Green Manufacturing Research; and

2. organise and promote Green Education.

Major subjects for research include:

1. Green Assessment System;

2. Green Design Theory and Methods;

3. Recycle and Reuse Technology of PCB;

4. Energy Consumption Management;

5. Green Education for Manufacturing and Industrial Ecology; and

6. Green Manufacturing Web Site.

The Company has been playing a significant role in taking the Green Technologies on to the next level. It is looking forward to sharing these future technologies and is confident that a better and healthier environment can be built.

ROHS STANDARD AND LEAD — FREE PRODUCTION

As one of the leading companies in the PCB industry, environmental protection is always one of the focused areas of the Company. The Company has been complying with the RoHS Standard "Restriction of the use of certain Hazardous Substances" ("RoHS Standard"). The RoHS Standard requires electronic manufacturing companies to use the minimum hazardous substances, such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ethers, which are dangerous to our environment. The RoHS Standard enables our products are produced environmental friendly. Apart from meeting the RoHS Standard, the Company is also using halogen-free materials because halogen compound is dangerous to the ozone.

Corporate Governance Report

The Company has already used lead-free surface finishing production such as Organic Solderability Preservative (OSP) and Electroless Nickel Immersion Gold (ENIG), which enable our product surfaces to be lead-free. As one of the Company's long term strategies, we will continue to invest on new lead-free technology. Recently, we have invested on Immersion Silver and Immersion Tin machines, which provide better lead-free finishing production along the manufacturing lines.

In future, the Company will keep sourcing new RoHS compliance materials and lead-free surface finishing alternatives to achieve better environmental protection and provide more choices for customers.

EDUCATION

Apart from the work on environmental issues, the Company has already financed over 120 staff members for attending university studies since 1999. It believes that staff are the most valuable asset of the Company. It also invests heavily in training because it believes that training and further education will not only benefit the individual staff member but also provide them more opportunities to make greater contributions to the Company.

Financing for education is not limited to staff. The Company extends it to talented young students. Since 1995, the Company has sponsored over 50 students in their Doctor's and Master's studies in South China Agricultural University and Tsinghua University respectively. The Company may not directly benefit from it, but believes that these students can contribute more to the society if they have opportunities to further their studies.

The Company is willing to take more responsibilities for the society but with a view to balancing the shareholders' interests and society's benefits.

INVESTOR RELATIONS AND COMMUNICATION

The Company had approved some amendments to the Bye-laws of the Company on 15 June 2009 by passing the special resolution set out in the notice of the annual general meeting held on 15 June 2009. The Company continues to commit to a proactive policy of promoting investor relations and effective communication with shareholders and analysts by maximizing the use of the Company's website (www.topsearch.com.hk) as a channel to disclose the Company's updated information to both the shareholders and the public on a timely basis.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements on a going concern basis for each financial period which give a true and fair view of the financial affairs of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under Rule 8.08 of the Listing Rules throughout the year ended 31 December 2009 and as at 23 April 2010 (i.e. the latest practicable date prior to the issue of this annual report).

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group's turnover decreased by 23.7%. Material costs dropped due to the price decrease of major raw materials. With the stringent cost control measures taken by the Group, production overheads was maintained at similar level as that of last year. Overall, the gross margin improved from 7.5% in 2008 to 11.2% in 2009.

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 31 December 2009, the Group had total equity of HK$1,078 million (31 December 2008: HK$1,173 million) and net debt (trade payables, other payables and accruals, interest-bearing borrowings, less cash and cash equivalents) of HK$720 million (31 December 2008: HK$1,067 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 40% (31 December 2008: 48%).

The Group's net current liabilities of HK$143 million (31 December 2008: HK$235 million) consisted of current assets of HK$599 million (31 December 2008: HK$793 million) and current liabilities of HK$742 million (31 December 2008: HK$1,029 million), representing a current ratio of 0.81 (31 December 2008: 0.77).

As at 31 December 2009, the Group's current assets consisted of HK$101 million (31 December 2008: HK$196 million) of bank deposit, of which 4% was in HKD, 37% was in USD, 56% was in RMB and 3% in other currencies.

The Group's current assets also consisted of HK$241 million (31 December 2008: HK$323 million) trade receivables from customers. Debtors turnover days slightly decreased to 86 days (31 December 2008: 87 days).

As at 31 December 2009, the Group's inventories decreased to HK$195 million (31 December 2008: HK$235 million). Inventory turnover days was 74 days (31 December 2008: 65 days). Trade payables decreased to HK$208 million from HK$412 million in 2008. Creditor turnover days was approximately 107 days (31 December 2008: 106 days).

IMPAIRMENT OF PLANT & MACHINERY

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

The Group would target to attain enhanced utilization of spaces in the existing plants upon the complete relocation of production facilities from the new to old plant building in Shekou and the commencement of production run in Tongliao respectively.

INTEREST-BEARING BORROWINGS

As at 31 December 2009, the Group had the interest-bearing borrowings as follows:

	31 December 2009 *HK$'000*	31 December 2008 *HK$'000*
Amounts payable:		
Within one year	**395,367**	527,195
In the second year	**47,545**	57,509
In the third to fifth years, inclusive	**—**	1,796
	442,912	586,500
Less: Portion classified as current liabilities	**442,912**	(527,195)
Long term portion	**—**	59,305

Of the total interest-bearing borrowings, HKD denominated loans accounted for 28% (31 December 2008: 60%) and the 72% balance was RMB denominated loans (31 December 2008: 40%) as at 31 December 2009. Almost all of the interest-bearing borrowings are charged with floating rates. The Board does not recognize a significant seasonality of borrowing requirements.

Certain of the banking facilities granted to the Group have stipulated financial covenant of net tangible worth of not less than HK$1,200,000,000. As at 31 December 2009, such covenant was breached by the Group but no actions had been taken by the borrowing banks since the whole amount of loan principal would have been repaid on 18 January 2010.

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

(i) cross-corporate guarantees by the Company and certain subsidiairies;

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

(iii) the assignment of trade receivables of a subsidiary.

Details of the Group's interest-bearing borrowings are set out in note 25 to the consolidated financial statements.

Management Discussion and Analysis

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 year of 2009.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in US dollars ("USD") and the purchases of materials and payments of operational expenses are mainly denominated in USD, HK dollars ("HKD") and Renminbi ("RMB"). Approximately 47% and 75% of the Group's purchases and expenses, respectively, are denominated in RMB. As the Group imported a substantial portion of its critical raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from RMB appreciation.

Currently, the Group has not entered into any financial instrument for hedging purpose. Nevertheless, the Board will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimize exchange risk should the need arise.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2009, excluding the associate, the Group had approximately 5,570 employees (31 December 2008: 5,881). For the year ended 31 December 2009, total staff costs amounted to HK$184 million. Under the Group's remuneration policy, employees are rewarded in line with market rate and in compliance with statutory requirements of all jurisdictions where it operates.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants including any employees of the Group. As at 31 December 2009, no share options were outstanding under the scheme.

The Company has not paid bonus to employees for the year ended 31 December 2009.

The Group follows a policy of encouraging its subsidiaries to send their staff to attend training classes or seminars that are related directly or indirectly to the Group's businesses.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group's capital commitments contracted but not provided for amounted to HK$12 million (31 December 2008: HK$38 million). All of these capital commitments were related to construction of factory buildings and acquisition of land and plant and machinery.

OTHER COMMITMENTS

At 31 December 2009, the Group's capital contribution committed to the wholly-owned subsidiary established in the PRC amounted to HK$121 million (31 December 2008: HK$228 million).

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2009 (31 December 2008: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of Members of the Company will be closed from 31 May 2010 (Monday) to 2 June 2010 (Wednesday), both days inclusive. In order to qualify for the attendance of the forthcoming annual general meeting, transfer forms accompanied by relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 28 May 2010 (Friday).

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 38 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Details of the analysis of the Group's revenue for the year by geographical location are set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 52 to 111.

The Board does not recommend the payment of any dividend for the year ended 31 December 2009.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 112. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorized or issued share capital during the year. Details of movements in the Company's issued share capital for the year ended 31 December 2009 are set out in note 28 to the consolidated financial statements.

There was no movement in the Company's share options during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders though there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At as 31 December 2009, the Company's reserves available for distribution amounted to HK$508,916,000, comprising retained earnings of HK$42,147,000 and contributed surplus of HK$466,769,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

SHARE OPTION SCHEME

The Company operates a share 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 directors) 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;

(v) any person or entity that provide 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.

The maximum number of ordinary shares in respect of which options may be granted at any time under the Scheme and any other share option scheme of the Company cannot exceed 30% of the issued share capital of the Company from time to time. The total number of ordinary shares, which may be issued upon exercise of all options granted under the Scheme and any other share option scheme of the Group, must not in aggregate exceed 64,000,000 Shares, being 10% of the Shares in issue at the Listing Date. The Company may seek approval of its shareholders in general meeting to refresh the 10% limit provided that the total number of ordinary shares which may be issued upon exercise of all outstanding options granted under the Scheme and under any other share option scheme of the Group under the limit as "refreshed" must not exceed 10% of the ordinary shares in issue at the date of approval of the limit. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue, further grant in excess of this limit is subject to issue of a circular to the shareholders and shareholders' approval in a general meeting of the Company with the proposed grantees and their associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is a proposed grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting in which the proposed grantees must abstain from voting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer and upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and will commence at any time on or after the date upon which the option is deemed to be granted and accepted and will expire not later than the 10th anniversary of that date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant of the share options which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares on the offer date.

Saved as disclosed above and under the section headed "Directors' Interests in Shares and Underlying Shares" below, none of the directors or their respective associates has any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) or has any right to subscribe for equity or debt securities of the Company, as recorded in the register required to be kept under SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2009, the sales of products to the largest and the five largest customers amounted to 18% (2008: 20%) and 52% (2008: 44%) of the Company's revenue respectively.

For the financial year ended 31 December 2009, the purchases of materials from the largest and the five largest suppliers amounted to 17% (2008: 20%) and 55% (2008: 48%) of the total purchases respectively.

None of the Directors, or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any beneficial interest in any of the five largest customers and suppliers of the Group for the financial year ended 31 December 2009.

CONTINUING CONNECTED TRANSACTIONS

The following are the continuing connected transactions that are not exempted under the Listing Rules and are statutorily required to be disclosed pursuant to rules 14A.45 and 14A.46 of the Listing Rules in this report:

(i) Tenancy Agreement

On 10 June 2008, Topsearch Printed Circuits (HK) Limited as tenant (i.e. an indirect wholly-owned subsidiary of the Company which approximately 51.03% of its issued share capital was held by Mr. Cheok Ho Fung, an executive Director and Chief Executive Officer and as a connected person defined under the Listing Rules, together with Inni International Inc.), entered into a tenancy agreement ("**Tenancy Agreement**") with Keentop Investment Limited as landlord (i.e. an investment holding company and as a connected person defined under the Listing Rules, which is beneficially owned as to 50% by each of Mr. Cheok Ho Fung, an executive Director and Chief Executive Officer and his spouse, Mrs Cheok Chu Wai Min) in respect of renting of the properties known as House 7 and the Garden appurtenant thereto and Car Parking Spaces Nos. 7A and 7B on Basement Floor, Las Pinadas, No. 33 Shouson Hill Road, Hong Kong for a lease term of three years commencing from 1 June 2008 to 31 May 2011 (both days inclusive) as director's quarters provided to Mr. Cheok Ho Fung and his family.

Inni International Inc., a company incorporated in the Republic of Liberia, is 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.

Keentop Investment Limited will charge Topsearch Printed Circuits (HK) Limited for the monthly rental of HK$163,000 (exclusive of rates, management fee and other outgoings) and monthly management fee of HK$9,000 (subject to adjustment) based on the valuation report dated 4 June 2008 conducted by a professional property valuer (which is also an independent third party). The terms of the Tenancy Agreement have been negotiated on an arm's length basis which are considered as fair and reasonable and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Details of the terms of and the annual caps under the Tenancy Agreement were announced by the Company on 18 September 2009 at the websites of the Stock Exchange and of the Company respectively.

In respect of the Tenancy Agreement which constituted the Company's continuing connected transactions, the independent non-executive Directors have reviewed the said transaction and confirmed that the said transaction has been entered into:

(1) under arm's length negotiation;
(2) on normal commercial terms; and
(3) in accordance with the Tenancy Agreement on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditor of the Company confirmed that the said transaction:

(1) has been reviewed by the Audit Committee and approved by the Board of Directors;
(2) has agreement in place governing the said transaction; and
(3) has not exceeded the annual cap amount as set out in the announcement dated 18 September 2009 as published by the Company relating to the said transaction.

and such confirmation letter has been filed at the Stock Exchange.

(ii) Raw Materials Supply Agreement

On 18 August 2006, Topsearch Printed Circuits (HK) Limited, a wholly owned subsidiary of the Company entered into the Raw Materials Supply Agreement in connection with the supply of raw materials as defined therein by Kingboard Copper Foil (Macao Commercial Offshore) Limited and Kingboard Laminates (Macao Commercial Offshore) Limited (the "Kingboard Group") which are subsidiaries of Kingboard Chemical Holdings Limited (Stock code: 148), a substantial Shareholder of the Company, for a period of three years from 1 July 2006 to 30 June 2009.

An announcement ("Announcement") was published on 18 August 2006 and a circular ("Circular") was issued by the Company on 11 September 2006 regarding the Continuing Connected Transaction disclosed in accordance with the Listing Rules. As disclosed in the Announcement and the Circular, the Directors proposed that the annual caps for the three years from 1 July 2006 to 30 June 2009 shall be approximately as follow:

	Annual Caps
1 July 2006 to 31 December 2006	HK$82,000,000
1 January 2007 to 31 December 2007	HK$190,000,000
1 January 2008 to 31 December 2008	HK$228,000,000
1 January 2009 to 30 June 2009	HK$132,500,000

The Raw Materials Supply Agreement and the annual caps had been approved by shareholders of the Company at the Special General Meeting held on 29 September 2006.

During the period from 1 January 2009 to 30 June 2009, the Group did not purchase any raw materials from the Kingboard Group (31 December 2008: NIL). The above transaction of the Group constituted a continuing connected transaction ("Continuing Connected Transaction") under the Listing Rules for the six months' period ended 30 June 2009. No amount had therefore exceeded the corresponding annual caps for the period from 1 January 2009 to 30 June 2009, namely an amount of HK$132,500,000.

The Raw Materials Supply Agreement had not been renewed and had therefore ceased to be effective since 1 July 2009.

Details of the significant continuing related party transactions undertaken in the normal course of business are provided under note 37 to the financial statements. Saved as disclosed under the section headed "Continuing Connected Transactions" in this report, none constitutes a discloseable continuing connected transaction as defined under the Listing Rules.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engage the auditors of the Company to perform certain agree-upon procedures in respect of the Continuing Connected Transaction of the Group in accordance with the Hong Kong Standard on Related Service 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has performed these procedures and reported to the Board their factual findings.

Materials Supply Agreement has been entered into during the six months' period ended 30 June 2009, and accordingly, the aforesaid continuing connected transaction did not exceed the annual cap amount for the six months' period ended 30 June 2009 as set out in the Announcement. The Company has filed a copy of such confirmation letter from the auditors regarding the said continuing connected transaction at the Stock Exchange.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULE

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's loan agreements, which contain covenants requiring performance obligations of the controlling shareholder of the Company.

Keentop Investment Limited ("Keentop"), which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, has mortgaged one of its properties to secure the Group's bank loans up to HK$70,000,000 (2008: HK$183,728,000) as at the balance sheet date of 31 December 2009.

On 23 October 2008, a wholly-owned subsidiary of the Company as borrower (the "Borrower") and the Company and Mr. Cheok Ho Fung as guarantors entered into a facility agreement (the "Facility Agreement") with two local banks (one of which was also the arranger, agent and security agent) as lenders regarding a 12-month revolving loan facility of HK$187.5 million (the "Facility") subject to certain terms and conditions contained therein.

Pursuant to the Facility Agreement, upon the happening of either of the following conditions will constitute an event of default which the Facility will, among others, become immediately due and payable:

(i) the Borrower is not or ceases to be wholly and beneficially owned by the Company;
(ii) Mr. Cheok Ho Fung ceases to own wholly and beneficially 51% or more of the issued shares in the Company or ceases to have management control over the Borrower and the Company; and
(iii) the Group is in breach of financial covenants as stated in the Facility Agreement.

On 4 November 2009, parties to the Facility Agreement entered into a supplemental agreement (the "Supplemental Facility Agreement") to amend certain terms and conditions of the Facility Agreement, including (i) extending the maturity date of the Facility (the "Repayment Date") of the Facility to 18 January 2010; and (ii) adjusting the amount of the Facility from HK$187.5 million to the respective amounts for the relevant periods as detailed below:

Period	**Amounts (HK$)**
Up to 4 November 2009	131,250,000
From 5 November 2009 to 6 December 2009 (both dates inclusive)	90,000,000
From 7 December 2009 to the Repayment Date (both dates inclusive)	70,000,000

As extended by the Supplemental Facility Agreement, it would continue to be an event of default under the Facility Agreement if (i) the Borrower is not or ceases to be wholly and beneficially owned by the Company (ii) Mr. Cheok Ho Fung, being the Chairman, Chief Executive Officer and Executive Director of the Company, ceases to own wholly and beneficially 51% or more of the issued shares in the Company or ceases to have management control over the Borrower and the Company; or (iii) the Group is in breach of financial covenants as stated in the Facility Agreement.

The whole outstanding amount of loan principal under the Supplemental Facility Agreement has been repaid by the Company on 18 January 2010.

The Company announced and published the terms of the Facility Agreement and Supplemental Facility Agreement on the websites of the Stock Exchange and of the Company on 30 September 2009 and 5 November 2009 under the covenant relating to the specific performance of the controlling shareholder in accordance with the requirements under rule 13.18 of the Listing Rules.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors
Mr. Cheok Ho Fung
Mr. Liu Wai On
Mr. Kwok Chi Kwong, Danny *(resigned on 16 June 2009)*

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

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

In accordance with Bye-law 99 of the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation such that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Liu Wai On (executive Director), Mr. Leung Shu Kin, Alfred (independent non-executive Director) and Mr. Xiang Dong (independent non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting of the Company.

All the retiring Directors, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Cheok Ho Fung

Mr. Cheok Ho Fung, aged 58, is an Executive Director, the Chairman of the Board and the Executive Committee, and Chief Executive Officer of the Company. He is the founder of the Group. Mr. Cheok is responsible for overall strategic planning and the direction of the Group. With over 20 years of experience in the PCB industry, Mr. Cheok also spearheads the Group's efforts in seeking out business development, capital investment and joint venture opportunities.

Prior to founding the Group, Mr. Cheok had held the positions as financial controller and various management positions in different multinational companies which involved in computer related products, application systems, motor vehicles and agricultural equipment, ship repairing and oil-rig construction, business-form printing and PCB manufacturing. Mr. Cheok has been a fellow member of the Association of Chartered Certified Accountants since 1980, a member of the Chartered Institute of Management Accountants since 1981 and the Hong Kong Institute of Certified Public Accountants since 1990.

Mr. Cheok has entered into a service contract with the Company on 30 May 2002 for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day next after the expiry of the then current terms of the service contract. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. For the financial year ended 31 December 2009, Mr. Cheok received annual emoluments of HK$4,803,960, including the housing benefits in kind. His emoluments and performance bonus will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. Mr. Cheok's emolument package is subject to review by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Cheok has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being the Chairman of the Board and the Executive Committee, Chief Executive Officer and an Executive Director, Mr. Cheok does not have any relationships with any other Directors and senior management (as defined in the Listing Rules).

Mr. Cheok is one of the substantial shareholders (as defined in the Listing Rules) of the Company. He is also a director and a shareholder of Inni International Inc., which is also one of the substantial shareholders of the Company. Details of his interest in the shares and underlying shares of the Company have been disclosed in the section "Report of the Directors" under the sub-sections headed "Directors' Interests in Shares and Underlying Shares" and "Substantial shareholders and other persons' interests in shares and underlying shares" of this Annual Report.

Mr. Liu Wai On

Mr. Liu Wai On, aged 48, has been an Executive Director of the Company since 12 July 2007. He is a member of the Executive Committee of the Company.

Mr. Liu was graduated from Industrial Management and Metal Finishing Technology in the Hong Kong Polytechnic University, and is currently the Marketing Director of Topsearch Printed Circuits Macao Commercial Offshore Company Limited which is a subsidiary of the Company mainly responsible for all internal administration, business development, planning and development of sales strategies relating to manufacturing and operations. Prior to joining the aforesaid subsidiary of the Company in 2004, Mr. Liu has more than 20 years of experience in various major PCB manufacturers in technical and operation areas.

Mr. Liu has been with the Company for more than five years and had signed a letter of appointment as Executive Director with the Company for an initial fixed term of one year since 12 July 2007 which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Liu received annual emoluments of HK$120,000 for being an Executive Director of the Company and other emoluments of HK$660,000. The emoluments of Mr. Liu are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Liu has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Executive Director, Mr. Liu does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Kwok Chi Kwong, Danny (resigned on 16 June 2009)

Mr. Kwok Chi Kwong, Danny, aged 50, had been an Executive Director of the Company for the period from 12 July 2007 to 15 June 2009. He resigned as an Executive Director and a member of the Executive Committee of the Company and ceased to hold directorships in various members of the Group on 16 June 2009.

For the financial year ended 31 December 2009, Mr. Kwok received emoluments of HK$25,000 for being an Executive Director of the Company and other emoluments of HK$333,977.

Save as disclosed above, Mr. Kwok has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Executive Director, Mr. Kwok does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Non-executive Directors

Mr. Tang Yok Lam, Andy

Mr. Tang Yok Lam, Andy, aged 62, was appointed as an Independent Non-executive Director on 3 April 2002 and re-designated as a Non-executive Director of the Company since 1 December 2004. He is also a member of the Remuneration Committee and Nomination Committee of the Company respectively.

Mr. Tang has over 30-year working experience globally in Hong Kong, Japan, London, USA and China in respect of engineering, shipping, energy, finance and investment banking areas. Mr. Tang had held various executive positions in multinational companies, including First Chicago, Fuji Bank, JP Morgan, Coastal Power, etc in Hong Kong, Japan, London, USA and China. Mr. Tang has been a pioneer in non-recourse project financing for sports stadium in USA and power plants in China. Mr. Tang currently resides in Beijing. Mr. Tang studied naval Architecture in Taiwan and subsequently production management at Cambridge and earned his MBA at Cranfield University in England in 1977.

Mr. Tang had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Tang received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Tang are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Tang has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Tang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Ng Kwok Ying, Alvin

Mr. Ng Kwok Ying, Alvin, aged 63, was appointed as an Independent Non-executive Director on 3 April 2002 and re-designated as a Non-executive Director of the Company since 22 February 2005. He is also a member of the Audit Committee of the Company.

Mr. Ng is the founder and currently a senior partner of Ng and Partners, Solicitors. Prior to becoming a solicitor, Mr. Ng had worked in the shipping industry for 10 years. Mr. Ng graduated from the University of Hong Kong with a Bachelor of Social Science degree.

Mr. Ng had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Ng received annual emoluments of HK$120,000 for being a Non-executive Director of the Company. The emoluments of Mr. Ng are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Ng has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being a Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Independent Non-executive Directors

Mr. Leung Shu Kin, Alfred

Mr. Leung Shu Kin, Alfred, aged 57, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Remuneration Committee and also a member of the Audit Committee and Nomination Committee of the Company respectively.

Mr. Leung has had extensive working experience in the banking industry. For over 20 years, Mr. Leung had held various senior credit management positions in Bank of America and the First National Bank of Boston prior to becoming the Group General Manager of Seng Heng Bank in Macau. Currently he serves as an Executive Director for the Elegance Printing Group, the printer of the Company, which has business relationship with the Company. Mr. Leung holds a Bachelor's degree in Economics and a Bachelor's degree in Commerce from the University of Windsor, Canada, a Master's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Leung has been with the Company for over four years, and had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Leung received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Leung are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Leung has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director and an Executive Director for the Elegance Printing Group, the printer of the Company, Mr. Leung does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wong Wing Kee

Mr. Wong Wing Kee, aged 63, has been an Independent Non-executive Director of the Company since 1 December 2004. He is the chairman of the Nomination Committee and also a member of the Audit Committee of the Company.

Mr. Wong holds a Bachelor of Science degree in Financial Services from The University of Manchester Institute of Science and Technology. He is also a Fellow of The London Chartered Institute of Bankers (FCIB), now known as IFS, School of Finance (UK). As a Singaporean, Mr. Wong has more than 30-year experience in operational risk management, internal audit and compliance. He has held various positions in senior operational risk, internal audit and compliance at Asian and US banks, and has served as advisor and provided strategic risk consultancy services to various banks in Indonesia.

Mr. Wong had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Wong received annual emoluments of HK$120,000. The emoluments of Mr. Wong are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Save as disclosed above, Mr. Wong has not held any positions with the Company or other members of the Group and he has not held any other directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Wong does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Ng Kee Sin

Mr. Ng Kee Sin, aged 58, has been an Independent Non-executive Director of the Company since 20 March 2007. He is the chairman of the Audit Committee of the Company.

Mr. Ng has more than 20 years of senior management experience in Asia Pacific countries with NCR, Digital Equipment Corporation, Compaq Computer Corporation and had been the Managing Director of Quantum Storage Greater China Region. He is currently an international associate of Golden Namsing Technology Shenzhen Co. Mr. Ng holds a Bachelor of Accountancy degree in the University of Singapore. He is a member of Institute of Certified Public Accountants of Singapore (ICPAS) and a fellow member of the Association of Certified Chartered Accountants (ACCA).

Mr. Ng had signed a letter of appointment with the Company for an initial fixed term of three years which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Ng received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Ng are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Ng has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director, Mr. Ng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Xiang Dong

Mr. Xiang Dong, aged 38, has been an Independent Non-executive Director of the Company since 12 July 2007. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company respectively.

Mr. Xiang received a Ph.D. degree in Mechanical Engineering of Chongqing University since 2000 and accredited with an Education Award of Department of Precision Instruments & Mechanology, Tsinghua University in 2005. Mr. Xiang is engaged as an Associate Professor in the Manufacturing Engineering Institute, Department of Precision Instruments & Mechanology, Tsinghua University since 2005 and has several years of lecturing experience in the same school before 2005. Mr. Xiang has undertaken many research projects during the past seven years including Green Design Theory and Application for Electronmechanical Products, E-waste Recycling Technology, Green Manufacturing, Environmental Attribute Analysis of Home Appliances and Recycling Technique of PCBs and cathoderay tube research etc.

Mr. Xiang has been with the Company for about three years and had signed a letter of appointment as Independent Non-executive Director with the Company on 12 July 2007 for an initial fixed term of one year which shall continue thereafter. He will be subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His remuneration will be approved by the Board subject to the authority granted by the Shareholders to authorise the Board to fix the Directors' remuneration at the annual general meeting of the Company. For the financial year ended 31 December 2009, Mr. Xiang received annual emoluments of HK$120,000 for being an Independent Non-executive Director of the Company. The emoluments of Mr. Xiang are determined by the Board from time to time pursuant to the power given to it under the Bye-laws of the Company with reference to his contribution in terms of time, skills and expertise, the prevailing market conditions and the remuneration benchmark in the industry.

Saved as disclosed above, Mr. Xiang has not held any other position with the Company or any of its subsidiaries or associates, and he has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the relationship arising from his being an Independent Non-executive Director and his spouse who is currently working or information technology manager of Topsearch Printed Circuits (Shenzhen) Limited as disclosed under the section headed "Corporate Governance Report" herein, Mr. Xiang does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

DIRECTORS' SERVICE CONTRACTS

On 30 May 2002, the Company entered into a service agreement with Mr. Cheok Ho Fung for an initial fixed term of three years and shall continue thereafter for successive terms of one year each commencing from the day next after the expiry of the then current terms of the service agreements. Under the service agreement with Mr. Cheok, such agreement may be terminated by either party by giving not less than six months' written notice to the other party.

On 12 July 2007, separate letters of appointment were issued by the Company and accepted by Mr. Kwok Chi Kwong, Danny (who had resigned since 16 June 2009) and Mr. Liu Wai On as Executive Directors for a term of one year with effect from 12 July 2007 to 11 July 2008, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Their terms of appointment were renewed and approved by the Board for the further period from 12 July 2008 to 11 July 2009. Mr. Liu's appointment had been renewed further from 12 July 2009 to 11 July 2010. Under the letters of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, separate letters of appointment were issued by the Company and accepted by Mr. Tang Yok Lam, Andy and Mr. Ng Kwok Ying, Alvin respectively. Mr. Tang and Mr. Ng served the Company as non-executive Directors with effect from 3 June 2005 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. Their terms of appointment were renewed and approved by the Board for the further three years for the period from 3 June 2008 to 2 June 2011. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Leung Shu Kin, Alfred. Mr. Leung serves the Company as an independent non-executive Director with effect from 3 June 2005 to 31 August 2007, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 1 September 2007 to 31 August 2010. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 29 August 2005, a letter of appointment was issued by the Company and accepted by Mr. Wong Wing Kee. Mr. Wong served the Company as an independent non-executive Director with effect from 3 June 2005 to 30 November 2007, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 1 December 2007 to 30 November 2010. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 20 March 2007, a letter of appointment was issued by the Company and accepted by Mr. Ng Kee Sin. Mr. Ng serves the Company as an independent non-executive Director with effect from 20 March 2007 for an initial period of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-laws of the Company. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

On 12 July 2007, a letter of appointment was issued by the Company and accepted by Mr. Xiang Dong. Mr. Xiang serves the Company as an independent non-executive Director with effect from 12 July 2007 to 11 July 2008, subject to retirement by rotation and re-election at the annual general meeting of the Company pursuant to the Bye-Laws of the Company. His terms of appointment were renewed and approved by the Board for the further period from 12 July 2008 to 11 July 2009 and from 12 July 2009 to 11 July 2010 respectively. Under the letter of appointment, the appointment may be terminated by either party by giving not less than three months' written notice to the other party.

Save as disclosed above, none of the Directors has or is proposed to have a service agreement with the Company or any of its subsidiaries, which is not determined by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to the shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the 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 during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 31 December 2009, 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 ("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 Companies, were as follows:

(a) The Company

Name of director		Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	Long position	78,250,000	7.83%
	Note	Deemed	Long position	432,000,000	43.20%
Total				510,250,000	51.03%

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

(b) ***Associated Corporation — Inni International Inc.***

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

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

(c) ***Subsidiary — Topsearch Industries (Holdings) Limited***

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred share issued
Mr. Cheok Ho Fung		Direct	2,000,100	10.00%
	Note	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 wife.

2. Directors' Interests in Share Options of the Company

As at 31 December 2009, none of the Company's directors held share options of the Company.

Saved as disclosed above, as at 31 December 2009, none of the directors or chief executives 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 Companies.

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

Long positions in Shares:

As at 31 December 2009, 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	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	20.69%
Kingboard Chemical		Direct	Long position	2,766,000	0.27%
Holdings Limited	*(iii)*	Deemed	Long position	204,226,000	20.42%
		Total		206,992,000	20.69%
Jamplan (BVI) Limited	*(iii)*	Deemed	Long position	204,226,000	20.42%
Kingboard Investments Limited		Direct	Long position	204,024,000	20.40%
Majestic Wealth Limited		Direct	Long position	93,400,000	9.34%

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 Share Options".

(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 Share Options".

(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 30.97% equity shares in Kingboard Chemical Holdings Limited.

Saved as disclosed above, as at 31 December 2009, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' Interest in Shares and Underlying Shares" above had registered an 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.

AUDIT COMMITTEE

The Company established an Audit Committee on 30 May 2002 with its own written terms of reference which have been recently revised by the Board in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group. Meetings were held to review the interim financial statements of the Company for the financial period ended 30 June 2009, and the audited financial statements of the Company for the year ended 31 December 2009.

This annual report has been reviewed by the Audit Committee.

As at the date of this report, the Committee comprised four independent non-executive directors, namely Mr. Leung Shu Kin, Alfred, Mr. Wong Wing Kee, Mr. Ng Kee Sin (Chairman) and Mr. Xiang Dong and one non-executive director namely Mr. Ng Kwok Ying, Alvin.

AUDITORS

Ernst & Young, who acted as auditors of the Company for the past six years, resigned on 11 February 2010 and Deloitte Touche Tohmatsu was appointed as auditors of the Company on 17 February 2010 by the Board to fill the casual vacancy created by the resigned auditors.

A resolution for the appointment of Deloitte Touche Tohmatsu as auditors of the Company will be proposed thereat.

On behalf of the Board

CHEOK HO FUNG
Chairman and Chief Executive Officer

Hong Kong, 28 April 2010

Deloitte.
德勤

To the shareholders of Topsearch International (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group")) set out on pages 52 to 111, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of HK$95,020,000 during the year ended 31 December 2009 and, as of that date, the Group's current liabilities exceeded its current assets by HK$142,815,000. The directors of the Company have taken several measures as disclosed in Note 2 to the consolidated financial statements to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due. However, these conditions, along with the other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty in relation to the going concern of the Group.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

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

Consolidated Statement of Financial Position

At 31 December 2009

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

Consolidated Statement of Financial Position

At 31 December 2009

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

The consolidated financial statements on pages 52 to 111 were approved and authorised for issue by the board of directors on 28 April 2010 and are signed on its behalf by:

Cheok Ho Fung
Director

Liu Wai On
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

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

Notes:

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

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

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2009

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(b) the directors of the Company have been taking various cost control measures to tighten the costs of operations and various general and administrative expenses;

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

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

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

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

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

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

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

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

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

Interests in associates

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

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

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

Revenue recognition

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

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

Tooling income is recognised when the relevant services are rendered.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessee

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

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

Prepaid lease payments

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

Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

Borrowing costs

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

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

Government grants

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

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

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimation of useful lives of property, plant and equipment

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

Impairment of property, plant and equipment other than buildings

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

Fair value of buildings

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of trade receivables

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

Deferred tax assets

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

6. SEGMENT INFORMATION

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

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

6. SEGMENT INFORMATION *(continued)*

(a) Geographical information

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

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

Notes:

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

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

(b) Information about major customers

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

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

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

7. OTHER INCOME

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

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

10. LOSS BEFORE TAX

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

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

11. DIRECTORS' REMUNERATION

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

	Fee	**Salaries and other benefits**	**Contribution to retirement benefit scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009				
Executive directors:				
Cheok Ho Fung, Peter	—	4,665^	139	4,804
Liu Wai On, Eric	120	624	36	780
Kwok Chi Kwong, Danny	25	314	20	359
Tong Chi Wing, Nelson*	—	—	—	—
	145	5,603	195	5,943
Non-executive directors:				
Tang Yok Lam, Andy	120	—	—	120
Ng Kwok Ying, Alvin	120	—	—	120
	240	—	—	240
Independent non-executive directors:				
Leung Shu Kin, Alfred	120	—	—	120
Wong Wing Kee	120	—	—	120
Ng Kee Sin	120	—	—	120
Xiang Dong	120	—	—	120
	480	—	—	480
2008				
Executive directors:				
Cheok Ho Fung, Peter	—	4,748^	277	5,025
Liu Wai On, Eric	108	717	66	891
Kwok Chi Kwong, Danny	108	812	75	995
Tong Chi Wing, Nelson*	40	169	17	226
	256	6,446	435	7,137
Non-executive directors:				
Tang Yok Lam, Andy	108	—	—	108
Ng Kwok Ying, Alvin	108	—	—	108
	216	—	—	216
Independent non-executive directors:				
Leung Shu Kin, Alfred	108	—	—	108
Wong Wing Kee	108	—	—	108
Ng Kee Sin	108	—	—	108
Xiang Dong	108	—	—	108
	432	—	—	432

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

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

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

12. FIVE HIGHEST PAID EMPLOYEES

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

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

'

Their emoluments were within the following brands:

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

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

13. INCOME TAX EXPENSE (CREDIT)

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

13. INCOME TAX EXPENSE (CREDIT) *(continued)*

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

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

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

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

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

14. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income

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

15. LOSS PER SHARE

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

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

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

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

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

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

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

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

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

17. PREPAID LEASE PAYMENTS

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

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

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

18. INTEREST IN AN ASSOCIATE

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

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

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

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

18. INTEREST IN AN ASSOCIATE *(continued)*

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

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

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

20. DEPOSIT PAID FOR LAND LEASE/OTHER RECEIVABLE

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

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

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

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

21. INVENTORIES

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

22. TRADE RECEIVABLES

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

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

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

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

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

22. TRADE RECEIVABLES *(continued)*

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

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

Aging of trade receivables which are past due but not impaired

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

Trade receivables that are past due but not impaired relate to a number of independent customers that did not have default payment history with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in allowance for doubtful debts

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

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

23. PLEDGED BANK DEPOSITS AND BANK BALANCES

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

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

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

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

24. TRADE PAYABLES

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

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

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

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

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

25. INTEREST-BEARING BANK LOANS

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

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

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

Certain of the banking facilities granted to the Group have stipulated financial covenants of interest cover of not less than four and net tangible worth of not less than HK$1,200,000,000. As at 31 December 2009, such covenants were breached by the Group but since the outstanding loans under these banking facilities at the end of the reporting period of HK$70,000,000 were due for repayment within one year, no reclassification or adjustment was necessary. Subsequent to the end of the reporting period, the loan of HK$70,000,000 was repaid and accordingly the pledge of property was released.

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

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

26. OBLIGATIONS UNDER FINANCE LEASES

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

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

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

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

27. SHAREHOLDER'S LOANS

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

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

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

28. SHARE CAPITAL

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

Warrants

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

29. RESERVES

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

30. OTHER PAYABLES AND ACCRUALS

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

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

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

31. DEFERRED TAX LIABILITIES (ASSETS)

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

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

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

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

31. DEFERRED TAX LIABILITIES (ASSETS) *(continued)*

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

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

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

32. CAPITAL RISK MANAGEMENT

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

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

32. CAPITAL RISK MANAGEMENT *(continued)*

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

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

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

(b) Financial risk management objectives and polices

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

(i) Currency risk

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

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

(i) ***Currency risk*** *(continued)*

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

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

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

(i) ***Currency risk*** *(continued)*

Sensitivity analysis

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

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

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

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

(ii) Interest rate risk

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

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

Sensitivity analysis

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

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

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

(iii) Credit risk

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

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

(iii) ***Credit risk*** *(continued)*

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

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

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

(iv) ***Liquidity risk***

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

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

33. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and polices *(continued)*

(v) *Liquidity tables*

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

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

33. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

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

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

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

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

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

34. OPERATING LEASE COMMITMENTS

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

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

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

35. CAPITAL AND OTHER COMMITMENTS

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

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

36. SHARE OPTION SCHEME

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

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

36. SHARE OPTION SCHEME *(continued)*

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

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

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

37. RELATED PARTY TRANSACTIONS

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

37. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(Continued)*

Notes:

(i) The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, Peter, a director of the Company, and his spouse, related to a property leased as their residence. The monthly rental of HK$120,000 for the period from 22 May 2005 to 31 May 2008 was based on the tenancy agreement entered into between both parties. Pursuant to a further tenancy agreement entered into on 10 June 2008, the monthly rental was HK$163,000 for the period from 1 June 2008 to 31 May 2011 (with an option to renew for a further term of three years), which was based on a market rental valuation provided by an independent professionally qualified valuer in June 2008.

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

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

(b) Other transaction with a related party:

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

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

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

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name	Place of incorporation/ registration and operations	Nominal value issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Directly held					
Topsearch Industries (BVI) Limited	British Virgin Islands	Ordinary shares US$50,000	**100**	100	Investment holding
Indirectly held					
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Deferred non-voting* HK$20,000,000	**100**	100	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary shares HK$10,000,000	**100**	100	Investment holding
Topsearch Printed Circuits Macao Commercial Offshore Company Limited	Macau	Ordinary shares Macau Pataca 100,000	**100**	100	Sale of printed circuit boards
Topsearch Printed Circuits (Shenzhen) Ltd.@	PRC/Mainland China	Registered paid-up capital US$50,000,000	**100**	100	Manufacture of printed circuit boards

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Indirectly held *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2009	2008	Principal activities
Topsearch Marketing (S) Pte. Ltd.	Singapore	Ordinary shares Singapore dollars 1,000	**100**	100	Provision of marketing services
Topsearch Marketing (U.K.) Limited	United Kingdom	Ordinary shares £2	**100**	100	Provision of marketing services
TPS Marketing (M) Sdn. Bhd.	Malaysia	Ordinary shares RM2	**100**	100	Provision of marketing services
Topsearch Marketing (USA) Inc.	United States of America	Ordinary shares US$1,000	**100**	100	Deregistration in progress
Topsearch Marketing (Taiwan) Limited	Taiwan	Ordinary shares New Taiwan dollars 1,000,000	**100**	100	Provision of marketing services
Topsearch Printed Circuits Korea Co., Ltd.	Republic of Korea	Ordinary shares Korea won 50,000,000	**100**	100	Provision of marketing services
Topsearch Tongliao Investment (BVI) Limited	British Virgin Islands	Ordinary shares US$50,000	**100**	100	Investment holding
Topsearch Tongliao Investment (HK) Limited	Hong Kong	Ordinary shares HK$10,000	**100**	100	Investment holding

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Indirectly held *(continued)*

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

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Indirectly held *(continued)*

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

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

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

Newly acquired during the year.

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

39. RETIREMENT BENEFIT SCHEMES

Hong Kong

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

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

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

PRC

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

40. EVENT AFTER THE REPORTING PERIOD

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

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

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

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

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

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**1,189,762**	1,558,810	1,614,834	1,732,797	1,631,423
(LOSS) PROFIT BEFORE TAX	**(91,595)**	(169,699)	1,383	21,321	94,787
Tax	**(3,425)**	10,333	1,493	7,017	(1,573)
(LOSS) PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(95,020)**	(159,366)	2,876	28,338	93,214

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,879,456**	2,307,557	2,453,529	2,391,164	2,282,056
Total liabilities	**(801,351)**	(1,134,499)	(1,184,912)	(1,282,089)	(1,341,608)
Total net assets	**1,078,105**	1,173,058	1,268,617	1,109,075	940,448