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T O P S E A R C H

Topsearch International (Holdings) Limited

至卓國際(控股)有限公司*

(incorporated in Bermuda with limited liability)

*For identification purposes only

Interim Report
2005

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The board of directors (the "Directors") of Topsearch International (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005 (the "Period") together with comparative figures. The Interim Financial Statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
TURNOVER	2	777,063	607,156
Cost of sales		(617,160)	(482,751)
GROSS PROFIT		159,903	124,405
Other revenue and gains		4,992	3,804
Selling and distribution costs		(55,373)	(44,505)
Administrative expenses		(44,458)	(44,490)
Other operating expenses		(311)	(1,099)
PROFIT FROM OPERATING ACTIVITIES	3	64,753	38,115
Finance costs	4	(9,983)	(5,145)
PROFIT BEFORE TAX		54,770	32,970
Tax	5	(3,300)	5,829
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		51,470	38,799
EARNINGS PER SHARE	6		
— BASIC		7.5 cents	6.1 cents
— DILUTED		7.4 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2005	2004
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		1,111,205	1,004,665
Lease premium for land		15,771	16,123
Interest in an associate		441	264
Rental and utility deposits		3,030	3,065
Prepaid rental, long term portion		1,191	1,473
Other assets		1,701	1,701
Deposits for fixed assets		43,644	20,111
		1,176,983	1,047,402
CURRENT ASSETS			
Inventories		220,456	206,137
Lease premium for land		176	—
Trade receivables	7	396,275	396,063
Prepayments, deposits and other receivables		33,160	22,261
Cash and cash equivalents	8	125,495	91,147
		775,562	715,608
CURRENT LIABILITIES			
Trade payables	9	373,133	339,126
Tax payable		8,295	4,948
Other payables and accruals		46,641	71,432
Interest-bearing bank loans	10	253,623	185,088
Finance lease payables	11	60,460	56,772
Current portion of shareholder's loan	12	22,543	7,543
		764,695	664,909
NET CURRENT ASSETS		10,867	50,699
TOTAL ASSETS LESS CURRENT LIABILITIES		1,187,850	1,098,101

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

		30 June	31 December
		2005	2004
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	10	172,217	179,888
Finance lease payables	11	79,006	58,059
Shareholder's loan	12	7,500	22,500
Deferred tax liabilities		41,365	43,365
		<u>300,088</u>	<u>303,812</u>
		<u>887,762</u>	<u>794,289</u>
CAPITAL AND RESERVES			
Issued capital	13	71,070	64,000
Reserves		816,692	710,389
Proposed final dividend		—	19,900
		<u>887,762</u>	<u>794,289</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	90,488	86,712
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(154,175)	(79,891)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	98,035	(9,236)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	34,348	(2,415)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	91,147	73,815
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>125,495</u>	<u>71,400</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	110,419	62,356
Short term time deposits	15,076	22,658
Bank overdrafts	—	(13,614)
	<u>125,495</u>	<u>71,400</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital of the Company (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2005										
As previously reported	64,000	134,743	19,000	28,351	(59)	18,230	4,064	19,900	506,060	794,289
Effect of adopting HKFRS 3	—	—	—	—	—	—	(4,064)	—	4,064	—
At 1 January 2005, as restated	64,000	134,743	19,000	28,351	(59)	18,230	—	19,900	510,124	794,289
Issued during the period	7,070	54,846	—	—	—	—	—	—	—	61,916
Profit for the Period	—	—	—	—	—	—	—	—	51,470	51,470
Final dividend of 2004 paid	—	—	—	—	—	—	—	(19,900)	—	(19,900)
Exchange adjustments	—	—	—	—	(13)	—	—	—	—	(13)
At 30 June 2005	<u>71,070</u>	<u>189,589*</u>	<u>19,000*</u>	<u>28,351*</u>	<u>(72)*</u>	<u>18,230*</u>	<u>—</u>	<u>—</u>	<u>561,594*</u>	<u>887,762</u>
	Share capital of the Company (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2004	64,000	134,743	19,000	23,635	(125)	17,030	4,064	6,528	438,204	707,079
Profit for the Period	—	—	—	—	—	—	—	—	38,799	38,799
Final dividend of 2003 paid	—	—	—	—	—	—	—	(6,528)	—	(6,528)
Exchange adjustments	—	—	—	—	(15)	—	—	—	—	(15)
At 30 June 2004	<u>64,000</u>	<u>134,743*</u>	<u>19,000*</u>	<u>23,635*</u>	<u>(140)*</u>	<u>17,030*</u>	<u>4,064*</u>	<u>—</u>	<u>477,003*</u>	<u>739,335</u>

* These reserve accounts comprise the reserves of HK\$816,692,000 (2004: HK\$675,335,000) in the balance sheet.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2005

1. Accounting Policies

The condensed consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and the basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 December 2004 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) which also include HKASs and Interpretations that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 17	Leases
HKFRS 3	Business Combinations

A. HKAS 17 — Leases

In prior Periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group’s leasehold interests in land and buildings are separated into leasehold land and leasehold buildings. The Group’s interest in leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Lease premiums for land paid under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease term.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been revised to reflect the reclassification of leasehold land.

B. HKFRS 3 — Business Combinations

The adoption of HKFRS 3 has resulted in a change in accounting policy for negative goodwill. Prior to the adoption of HKFRS 3, the negative goodwill arising from the acquisition of a subsidiary was credited to the capital reserve in the year of acquisition, pursuant to the transitional provision of Statement of Standard Accounting Practice No. 30 “Business Combination”. Pursuant to HKFRS 3, the carrying amount of negative goodwill credited to the capital reserve as at 1 January 2005 of HK\$4,064,000 was de-recognized by way of a corresponding adjustment to the opening retained profits as at 1 January 2005.

2. Turnover

Turnover represents the Group's net invoiced value of goods sold net of discounts and returns. The Group's principal activity during the Period was the manufacture and sale of printed circuit boards ("PCBs"), which is the only major business segment of the Group, with production facilities in Guangdong Province, the People's Republic of China (the "PRC"). Accordingly, no further analysis of the Group's turnover by business segment is provided.

The turnover of the Group by geographical area is analysed as follows:

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Asia, excluding the PRC, Hong Kong and Taiwan	387,103	254,182
The PRC and Hong Kong	153,332	111,063
Taiwan	104,932	89,566
North America	71,426	99,337
Europe	60,270	53,008
	<u>777,063</u>	<u>607,156</u>

Note: The location of the customer is determined by the location of the entity placing the orders for the purchase of the Group's products.

The contribution to profit from operating activities by geographical area is substantially in line with the overall rate of contribution to turnover and accordingly a geographical analysis of contribution pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") requirements is not presented.

3. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Cost of inventories sold	617,160	482,751
Depreciation	74,473	67,589
Exchange differences	311	1,099
Interest income	(248)	(120)
	<u>777,063</u>	<u>607,156</u>

4. Finance Costs

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	8,110	4,747
Shareholder's loan	303	52
Finance leases	1,970	1,748
	<u>10,383</u>	<u>6,547</u>
Total interest	10,383	6,547
Less: Interest capitalised	(400)	(1,402)
	<u>9,983</u>	<u>5,145</u>

5. Tax

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Current-PRC, other than Hong Kong	5,300	—
Refund of 5% corporate income tax	—	(5,829)
Deferred tax	(2,000)	—
	<u>3,300</u>	<u>(5,829)</u>
Total tax charge/(credit) for the Period	3,300	(5,829)

PRC corporate income tax had been provided on the assessable profits generated by a subsidiary in Shekou, the PRC, at the rate of 15% during the Period. No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong in the current period.

6. Earnings per Share

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders of HK\$51,470,000 for the Period (2004: HK\$38,799,000) and the weighted average of 689,522,099 (2004: 640,000,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the Period of HK\$51,470,000. The weighted average number of ordinary shares used in the calculation is the 689,522,099 ordinary shares in issue during the Period, as used in the basic earnings per share calculation and the weighted average of 4,276,386 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the Period.

The diluted earnings per share amount for the period ended 30 June 2004 had not been disclosed as no diluting events existed during that period.

7. Trade Receivables

Credit is offered to customers following a financial assessment by the Group. Periodical reviews on the credit limits are performed with regard to the customers' established payment record. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 90 days. The Group closely monitors its outstanding accounts receivable. Overdue balances are reviewed regularly by the senior management. In addition, the trade receivables are covered by credit insurance policy.

An aged analysis of the trade receivables as at the balance sheet date, based on the due date of the sale of goods, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Current — 30 days	338,584	321,416
31 — 60 days	32,613	41,625
61 — 90 days	16,081	14,980
Over 90 days	8,997	18,042
	<u>396,275</u>	<u>396,063</u>

8. Cash and Cash Equivalents

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Cash and bank balances	110,419	68,375
Short term deposits	15,076	22,772
	<u>125,495</u>	<u>91,147</u>

9. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on the date of the receipt of the respective goods and services, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Current — 30 days	236,046	233,395
31 — 60 days	35,817	56,526
61 — 90 days	35,378	36,628
Over 90 days	65,892	12,577
	<u>373,133</u>	<u>339,126</u>

10. Interest-Bearing Bank Loans

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Trust receipt loans, secured	46,772	39,978
Bank loans, secured	379,068	324,998
	<u>425,840</u>	<u>364,976</u>
Trust receipt loans and short term bank loans repayable within one year or on demand	<u>177,327</u>	<u>134,978</u>
	<u>177,327</u>	<u>134,978</u>
Bank loans, secured and repayable:		
Within one year	76,296	50,110
In the second year	75,217	79,628
In the third to fifth years, inclusive	97,000	100,260
	<u>248,513</u>	<u>229,998</u>
	425,840	364,976
Portion classified as current liabilities	(253,623)	(185,088)
Long term portion	<u>172,217</u>	<u>179,888</u>

11. Finance Lease Payables

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Amounts payable:		
Within one year	63,453	56,886
In the second year	71,603	41,139
In the third to fifth years, inclusive	10,245	19,033
	<u>145,301</u>	<u>117,058</u>
Total minimum finance lease payments	145,301	117,058
Future finance charges	(5,835)	(2,227)
	<u>139,466</u>	<u>114,831</u>
Total net finance lease payables	139,466	114,831
Portion classified as current liabilities	(60,460)	(56,772)
Long term portion	<u>79,006</u>	<u>58,059</u>

12. Shareholder's Loan

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Loan from a controlling shareholder, unsecured and repayable:		
Within one year	22,543	7,543
In the second year	7,500	22,500
	30,043	30,043
Portion classified as current liabilities	(22,543)	(7,543)
Long term portion	7,500	22,500

The shareholder's loan was advanced by Mr. Cheok Ho Fung, Peter, a director and controlling shareholder of the Company pursuant to the loan agreement dated 17 September 2003. The loan is unsecured, interest-bearing at HIBOR, repayable by 12 monthly installments, together with interest thereon commencing on 18 October 2005 and is subordinated to all the bank borrowings.

13. Share Capital

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
710,700,000 (31 December 2004: 640,000,000) ordinary shares of HK\$0.1 each	71,070	64,000

The increase in issued and fully paid shares of 70,700,000 shares related to a share placement of 70,000,000 shares and share options of 700,000 shares exercised during the Period. Pursuant to the share placing agreement dated 24 February 2005, Inni International Inc. ("Inni") placed 70,000,000 ordinary shares of the Company to a placing agent at HK\$0.9 per share. On the same date, the Company placed 70,000,000 new ordinary shares of the Company to Inni at HK\$0.9 per share, resulting in a total cash consideration, before expenses, of approximately HK\$63,000,000.

14. Share Option Scheme

The following share options were outstanding under the Share Option Scheme during the Period:

Name of Directors	Number of share options			At 30 June 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Share Price at the date of grant***
	At 1 January 2005	Granted during the period	Exercised during the period					
Mr. Ng Chi Shing	1,200,000	—	—	1,200,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
Mr. Wong Shui Hing	900,000	—	—	900,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
Mr. Ting Sui Ping	800,000	—	—	800,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
Mr. Tang Yok Lam	640,000	—	—	640,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
	—	1,860,000	—	1,860,000	12 January 2005	20 December 2004 to 31 December 2006	0.792	0.81
Other employees								
In aggregate	5,200,000	—	700,000	4,500,000	23 December 2004	19 October 2004 to 31 December 2006	0.72	0.80
Total	8,740,000	1,860,000	700,000	9,900,000				

* The vesting period of the share option is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price as at the date of the grant of the options.

At the balance sheet date, the Company had 9,900,000 share options outstanding under the Scheme, which represented approximately 1.39% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 9,900,000 additional ordinary shares of the Company and additional share capital of HK\$990,000 and share premium of HK\$6,180,000 before issue expenses.

15. Commitments**(a) Capital Commitments**

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Authorised but not contracted for:		
Commitments in respect of construction of the factory building	<u>101,000</u>	<u>—</u>
Authorised and contracted for:		
Commitments in respect of construction of the factory building	19,116	15,006
Commitments in respects of acquisition of fixed assets	<u>26,812</u>	<u>42,482</u>
	<u>45,928</u>	<u>57,488</u>
	<u>146,928</u>	<u>57,488</u>

(b) Other Commitments

At 30 June 2005, the Group had total commitments of HK\$5,566,000 (31 December 2004: HK\$5,566,000) to make payments in respect of a technology collaboration agreement with Tsinghua University, the PRC, entered into in April 2001.

At 30 June 2005, the Group's contribution payable for the registered capital of two wholly-foreign-owned subsidiaries incorporated in the PRC totally amounted to HK\$367,770,000 (31 December 2004: HK\$132,600,000), of which HK\$327,600,000 represents investment in a subsidiary in Tongliao, Inner Mongolia of China and HK\$40,170,000 represents investment in a subsidiary in Shaoguan, Guangdong Province of China. For the investment in Tongliao subsidiary, payment of HK\$49,140,000 has been made in July 2005 for 15% of the registered capital, the balance of HK\$278,460,000 will be paid up by instalments within two years up to June 2007.

At 30 June 2005, the Group had commitments in respect of interest rate swaps to hedge the bank borrowings of HK\$167,000,000 (31 December 2004: HK\$179,000,000).

16. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for were as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Trade debtors factored with recourse	<u>38,220</u>	<u>34,522</u>

The trade receivables are covered by credit insurance policy. In the event of non-payment by its customers, the Group will be able to recover 90% of the amounts outstanding.

17. Related Party Transactions

The Group had the following transaction with a related company during the Period:

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental expenses paid to a company in which a director has beneficial interest	<u>692</u>	<u>690</u>

The monthly rental rate has been renewed to HK\$120,000 (2004: HK\$115,000) with effective from 22 May 2005 for a period of three years. Market rental valuation report is provided by an independent professional valuer on 18 July 2005.

18. Comparative Figures

As further explained in note 1 to the Interim Financial Statements, due to the adoption of the new HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operating Environment

While the global economic growth continued, the growth rate in PCB continues to improve in the first half of 2005. In the first half of the year, shipment volumes, in terms of square footage, increased about 18%, as compared with the same period last year. Production reached an average utilization rate of about 90%.

During the first half of 2005, major raw material prices become stable. While materials price has been maintained at constant level, the PCB market would only accept a moderate price increase in the products in which the Group is producing.

In line with the Group's business strategy, the growth in sales of multi-layered boards (6-layered and above) in the first half of 2005 progressed well. The shipment level for multi-layered boards, which account for higher margins, increased by about 48% in the first half of 2005 against the corresponding period last year. Currently, multi-layered boards contribute about 38% of the Group's sales.

As a result of the aforesaid factors, the average sales price in the first half of 2005 went up about 8% and total turnover reached HK\$777 million, representing an increase of 28% over last year.

There has not been any electricity supply interruption to the production plant of the Group which is located in the Shekou Industrial Zone, Shenzhen as well as the one in Shaoguan. With investment over HK\$150 million up to end of June in the Shaoguan plant, which has commenced production in April 2005 with outer layer processes and achieved output of 300,000 square feet by the month of June. The Group will continue to increase the production capacity in the Shaoguan plant by new investment in machinery and also reallocation of machinery from Shekou, so as to achieve better profit margin and enhance the Group's competitiveness in the market. The Group's overall production capacity can be increased by 20% by the end of 2005 as compared to the end of 2004.

The Group continue to invest resources into upgrading its technical capabilities and enhance its marketing efforts to expand market coverage and further improve product mix.

Review of Financial Performance

Compared to the results in the same period in 2004, the Group's turnover increased by 28% to approximately HK\$777 million, operating profit increased by 70% to HK\$65 million, net profit attributable to shareholders increased by 33% to approximately HK\$51 million, and earnings per share increased to HK\$0.07 in the first half of 2005.

The Group's shipment levels increased by 18% with the average sales price increased by 8%. The average cost of materials increased by 15% mainly due to the increase in cost of major raw materials. The overall gross profit margin slightly improved to 21% in the first half of 2005 as compared to 20% in the first half of 2004. Administrative expenses, selling and distribution expenses and other expenses collectively increased by 11%, compared to the same period in 2004, to approximately HK\$100 million.

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associated companies during the first half of 2005.

Foreign Exchange Exposure

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Taking into account the Group's operational and capital requirements in the aforesaid currencies, the Group has minimal risk in the event of fluctuation of exchange rates of USD, HKD and RMB.

Currently, the Group does not have a foreign currency hedging policy and its foreign exchange gains and losses over past few years were relatively low. The Directors will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure to minimize exchange risk should the need arise.

Liquidity and Financial Resources

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

As at 30 June 2005, the Group had total assets of approximately HK\$1,953 million (31 December 2004: HK\$1,763 million) and interest-bearing borrowings of approximately HK\$596 million (31 December 2004: HK\$510 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 30% (31 December 2004: 29%).

The Group's net current assets of approximately HK\$11 million (31 December 2004: HK\$51 million) consisted of current assets of approximately HK\$776 million (31 December 2004: HK\$716 million) and current liabilities of approximately HK\$765 million (31 December 2004: HK\$665 million), representing a current ratio of approximately 1.01 (31 December 2004: 1.08).

As at 30 June 2005, the Group's current assets consisted of approximately HK\$125 million (31 December 2004: approximately HK\$91 million) held as cash and bank balances, of which 31% in HKD, 38% in USD, 31% in RMB.

As at 30 June 2005, bank loans and other banking facilities of the Group were secured by:

- (a) the assignment of certain trade receivables of a subsidiary;
- (b) cross-corporate guarantees by the Company and certain subsidiaries; and
- (c) the land and buildings held by the Group.

Interest-bearing Borrowings

As at 30 June 2005, the Group had the interest-bearing borrowings as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Amounts payable:		
Within one year	336,626	249,403
In the second year	151,693	141,831
In the third to fifth years, inclusive	107,030	118,616
	595,349	509,850
<i>Less: Portion classified as current liabilities</i>	(336,626)	(249,403)
Long term portion	258,723	260,447

Of the total interest-bearing borrowings, HKD denominated loans accounted for 84% and USD for 16% as at 30 June 2005. All interest-bearing borrowings are charged with floating rates. There is no significant variation on borrowing requirements of the Group due to seasonality.

Prospects

As reported earlier in our last statement on 7 April 2005 in our 2004 Annual Report, construction of our new Shaoguan plant went well. Since then the outer layer plant has already begun mass production, and is now turning out a monthly output of approximate 300,000 sq. ft. of outer layers and beginning to contribute reasonable profit to the overall performance of our Group. Meanwhile, the second plant intended for inner layer production is also near completion and expected to begin mass production sometime in the last quarter of this fiscal year.

Our plan to manufacture inner layers also in Shaoguan has been brought forward from our original schedule of second quarter of 2006 for two reasons. The first reason is the shortening of production cycle time and transportation of inner layers from our Shekou factory to the Shaoguan factory, thereby strengthening our competitiveness in the market. The other reason is the much faster rise in costs in Shekou, Shenzhen due to local labour shortage driving increase in labour costs and extensive inflation. Earlier shifting of production of both inner layers and outer layers in such a rapidly changing environment would definitely allow us to better place our Group's competitive position in the market.

In order to develop the northern China and north Asia markets and to mitigate impact of rising manufacturing costs including labour, electricity and water, all of which are rapidly increasing lately in Shekou, Shenzhen, the Company has a plan to relocate additional operation from the current Shekou plant to Tongliao, Inner Mongolia of China. Such relocation will be commenced after the Shaoguan plant's full operation which is expected to be in place around last quarter of 2006.

During the last few months our efforts in enhancing our product mix to higher margin products have also been satisfactory. Today, the share of our 6-layers and special materials product account for more than 40% of our monthly sales on average. Our short and medium term goal is to further improve this to 50%.

Lastly, although the Group has exerted its best efforts in implementing strategies which would allow her to improve her return of investment, like all other industries, her performance may be affected by external economical and political factors beyond her control. The potential continuous rise of the RMB since its official revaluation on 21 July 2005 and the recent rapid rise in petroleum price are just two of such factors.

Barring these unforeseen circumstances, the Group remains cautiously optimistic about its continuous improvement in its performance as witnessed in this Fiscal 2005 interim report.

Number and Remuneration of Employees

At 30 June 2005, excluding the associate, the Group employed 6,494 staff (31 December 2004: 5,975), of which 90 (31 December 2004: 88) were employed in Hong Kong, 6,366 (31 December 2004: 5,851) in the PRC and 38 (31 December 2004: 36) in various overseas marketing offices. 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 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.

Contingent Liabilities

As at 30 June 2005, the Group had contingent liabilities related to trade receivables factored with recourse amounting to HK\$38.2 million (31 December 2004: HK\$34.5 million).

The trade receivables are covered by credit insurance policy. In the event of non-payment by its customers, the Group will be able to recover 90% of amounts outstanding.

Capital Commitments

As at 30 June 2005, the Group's capital commitments contracted but not provided for amounted to HK\$46 million (31 December 2004: HK\$57 million). All of these capital commitments were related to construction of factory building or acquisition of fixed assets.

During the Period, the Group set up a new wholly-foreign owned subsidiary in the PRC for the operation of a new factory in Tongliao with total cost of investment of USD42,000,000. At the balance sheet date, the Group has entered into an agreement for the first phase construction costs for the factory at approximately HK\$120 million.

Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (30 June 2004: Nil).

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' Service Contracts

On 30 May 2002, the Company entered into separate service agreements with Mr. Cheok Ho Fung, Mr. Ng Chi Shing and Mr. Wong Shui Hing respectively for an initial period of three years, which is renewable thereafter. Under the respective service agreements with Mr. Ng Chi Shing and Mr. Wong Shui Hing, such agreements may be terminated by either party by giving not less than three months' written notice to the other party while under the service agreement with Mr. Cheok Ho Fung, such agreement may be terminated by either party by giving not less than six months' written notice to the other party.

On 18 March 2005, a letter of appointment was issued by the Company and accepted by Mr. Look Guy. Mr. Look serves the Company as an independent non-executive Director with effect from 21 March 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. 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, the Company entered into a service agreement with Mr. Ting Sui Ping with effect from 3 June 2005 for an initial period of three years, which is renewable thereafter. Under the service agreement with Mr. Ting, such agreements 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. 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 serves 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. 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, 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 serve 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. Under the letters of appointment, the appointments 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 determinable within one year without payment of compensation other than statutory compensation.

Directors' Interest in Contracts

Save as disclosed in Note 17 to the Interim Financial Statements, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted any time during the Period or up to the date of the Interim Financial Statements.

Directors' Interests in Shares and Share Options

1. Director's Interests in Shares

As at 30 June 2005, the interests and short positions of the Directors in the shares, 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 maintained by the Company pursuant to Section 352 of the SFO were as follows:

(a) The Company

Name of director	Nature of interest		Number of ordinary shares held	Percentage of issued capital
Mr. Cheek Ho Fung	Direct	Long position	48,000,000	6.75%
Mr. Cheek Ho Fung <i>Note</i>	Deemed	Long position	<u>432,000,000</u>	<u>60.79%</u>
	Total		<u><u>480,000,000</u></u>	<u><u>67.54%</u></u>

Note: These shares are owned by Inni International Inc., a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his 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%
	<i>Note</i>	Deemed	12,750	51.00%
			<u>25,000</u>	<u>100.00%</u>

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 non-voting deferred shares held	Percentage of issued capital
Mr. Cheok Ho Fung		Direct	2,000,100	10.00%
	<i>Note</i>	Deemed	17,999,900	89.99%
			<u>20,000,000</u>	<u>99.99%</u>

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 30 June 2005, certain of the Company's directors held share options of the Company and particulars of those outstanding share options grant under the Scheme were as follows:

Name of Directors	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options	Share Price at the date of grant
	At 1 January 2005	Granted during the period	At 30 June 2005				
Mr. Ng Chi Shing	1,200,000	—	1,200,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
Mr. Wong Shui Hing	900,000	—	900,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
Mr. Ting Sui Ping	800,000	—	800,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
Mr. Tang Yok Lam	640,000	—	640,000	1 September 2004	6 July 2004 to 31 December 2006	0.694	0.70
	—	1,860,000	1,860,000	12 January 2005	20 December 2004 to 31 December 2006	0.792	0.81
	<u>3,540,000</u>	<u>1,860,000</u>	<u>5,400,000</u>				

Saved as disclosed above, none of the Directors, chief executives or any of their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2005.

Substantial Shareholders

As at 30 June 2005, 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	<u>432,000,000</u>	<u>60.79%</u>
Mr. Cheok Ho Fung		Direct	Long position	48,000,000	6.75%
	(i)	Deemed	Long position	<u>432,000,000</u>	<u>60.79%</u>
		Total		<u>480,000,000</u>	<u>67.54%</u>
Mrs. Cheok Chu Wai Min	(ii)	Deemed	Long position	<u>480,000,000</u>	<u>67.54%</u>
Hallgain Management Limited	(iii)	Deemed	Long position	<u>61,926,000</u>	<u>8.71%</u>
Kingboard Chemical Holdings Limited		Direct	Long position	2,766,000	0.39%
	(iii)	Deemed	Long position	<u>59,160,000</u>	<u>8.32%</u>
		Total		<u>61,926,000</u>	<u>8.71%</u>
Jamplan (BVI) Limited	(iii)	Deemed	Long position	<u>59,160,000</u>	<u>8.32%</u>
Kingboard Investments Limited		Direct	Long position	<u>58,958,000</u>	<u>8.30%</u>

Notes:

- (i) The above interests 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".
- (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".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holder of 202,000 shares in the Company, are wholly-owned subsidiaries of Jamplan (BVI) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 36.18% equity shares in Kingboard Chemical Holdings Limited.

Saved as disclosed above, no person had any interests or shorts positions in the shares and underlying shares of the Company as recorded under Section 336 of the SFO as at 30 June 2005.

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 and customers of the Group, any of its subsidiaries, or any entity ("Invested Entity") in which the Group holds an equity interest, suppliers of goods or services and person or entity that provides research, development or other technological support to the Group, its subsidiaries, or any Invested Entity, and any shareholder of the Group, its subsidiaries or Invested Entity. 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.

Details of the movement of the share options during the Period under the Scheme are set out in Note 14 to the Interim Financial Statements.

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

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

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 do this in these areas:

1. Environmental Policy

Traditionally, PCB is being classified as a pollution industry. Because of this, Topsearch pledges to uphold quality environment and implement policies for conserving resources and managing waste. Topsearch has set the following policies in compliance with environmental legislation.

- 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.
- 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 protect the environment as well as the ecosystem.
- The Company commits to fulfill and comply with national and regional environmental protection legislation and establishes self-regulating framework and standards accordingly.

- Awareness for environmental protection of all staff is enhanced through environmental protection activities, training programs and promotion. "Reduce", "Reuse", "Recycle" are heavily promoted. By promoting so, the Company is striving to protect the environment as well as to contribute back to society.
- Top management 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.
- The Company always keeps track of the development of international environmental protection legislation and ensures our environmental policy is implemented not only complying to international standards, but also at the same pace as our worldwide counterparts.

2. Environmental Research Projects

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

- Conduct Green Manufacturing Researches
- Organize and promote Green Education

Major subjects for researches include:

- Green Assessment System
- Green Design Theory and Methods
- Recycle and Reuse Technology of PCB
- Energy Consumption Management
- Green Education for Manufacturing and Industrial Ecology
- Green Manufacturing Web Site

Topsearch is playing a significant role in taking the Green Technologies onto the next level. We are looking forward to sharing these future technologies with you and are confident that together, we can build a better and healthier environment.

3. Education

Besides the works on environment, since 1999 the Company has already been financing over 120 staff in university studies. We believe staff is the most valuable assets of the Company. Throughout Topsearch, we invest heavily in training. It is because we believe training and further education will not only benefit the individual staff but also provide them more opportunities to make greater contribution to the Company.

Our financing is not limited to our staff. We extend it to those talent and young students. Since 1995, the Company has sponsored over 50 students in their Doctors and Masters studies in South China Agricultural University and Tsinghua University. The Company may not directly benefit from it, but we believe these students can contribute more to the society if they have opportunities for further education.

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

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and devotes considerable effort to identifying and formalizing practices in the best interests of shareholders.

Code provisions on Corporate Governance

The Company has complied throughout the six months ended 30 June 2005 with the Code Provisions on Corporate Governance as set out in Appendix 14 to the Listing Rules except for the deviation under the Code Provisions A.2.1 of the Listing Rules.

Under the Code Provisions A.2.1, 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 Board will review in the current year and propose any amendment, if necessary, to ensure compliance with the Code provisions on Corporate Governance 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 Model Code throughout the six-months to 30 June 2005. Senior managers, who, because of their offices in the Company, are likely to be in possession of unpublished price sensitive information, also have to comply with the provisions of the Model Code and the Own Code.

The Board of Directors

The Board consists of nine Directors with a variety of different experience, whose brief biographical particulars are set out in last year 2004 annual report. Among them, four are executive Directors, while the remaining five are non-executive Directors. Out of the five non-executive Directors, three are independent non-executive Directors. All Directors have full and timely access to all relevant information.

Responsibilities of the Board of Directors

In the course of discharging their duties, the Board acts in good faith, and in the best interests of the Company and its shareholders. Their responsibilities include:

- (a) Setting the objectives of the Company and responsibilities of the Board;
- (b) Establishing the strategic direction of the Company;
- (c) Setting targets for the Management;
- (d) Monitoring the performance of the Management;
- (e) Overseeing the management of the Company's relationships with shareholders, customers, the community, interest groups and others who have a legitimate interest in the responsible conduct of the Group's business;
- (f) Ensuring that a framework of prudent and effective controls is in place and to assess and manage risks of the Group;
- (g) Setting the Company's values and standards;
- (h) Identifying and assessing any matters involving a conflict of interest for a substantial shareholder or a director;
- (i) Determining material acquisitions and disposals of assets, investments, capitals, projects, authority levels, major treasury policies, risk management policies and key human resources issues; and
- (j) Considering and determining issues which are the responsibilities of the Board pursuant to the Company's memorandum and Bye-Laws and relevant laws and regulations in force by which the Company is governed from time to time.

Board Committees

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

Audit Committee

The Company's Audit Committee is composed of three Independent Non-executive Directors and one Non-executive Director, with the Chairman having appropriate professional qualification and experience in financial matters. The Audit Committee discharges its responsibilities in its review of the half-yearly and annual results. It is responsible for monitoring the reporting, accounting, financial and the control aspects of the executive management's activities. It also monitors the appointment and function of the Company's external auditor. It reports directly to the Board of Directors and has full access to the Corporate Governance Manager to hear directly any concerns of the Corporate Governance Department that may have arisen during the course of the department work.

Members of the Audit Committee are:

		Attendance for the six-months ended 30 June 2005
Mr. Look Guy <i>(Independent Non-executive Director)</i>	Chairman	1/1
Mr. Ng Kwok Ying, Alvin <i>(Non-executive Director)</i>	Member	1/1
Mr. Leung Shu Kin, Alfred <i>(Independent Non-executive Director)</i>	Member	1/1
Mr. Wong Wing Kee <i>(Independent Non-executive Director)</i>	Member	1/1

Remuneration Committee

The Remuneration Committee is to ensure formal and transparent procedures for overseeing and developing policies on the remuneration packages of directors and senior staff. In addition, the Committee provides effective supervision and administration of the Company's share option schemes and other share incentive schemes. It comprises three members, the majority of whom are Independent Non-executive Directors.

Members of the Remuneration Committee are:

Mr. Leung Shu Kin, Alfred <i>(Independent Non-executive Director)</i>	Chairman
Mr. Look Guy <i>(Independent Non-executive Director)</i>	Member
Mr. Tang Yok Lam, Andy <i>(Non-executive Director)</i>	Member

Nomination Committee

The Nomination Committee carries out the process of recommending and nominating candidates to fill vacancies to the Board of Directors.

Members of the Nomination Committee are:

Mr. Wong Wing Kee <i>(Independent Non-executive Director)</i>	Chairman
Mr. Leung Shu Kin, Alfred <i>(Independent Non-executive Director)</i>	Member
Mr. Tang Yok Lam, Andy <i>(Non-executive Director)</i>	Member

Executive Committee

The Executive Committee of the Board meets regularly and operates with overall delegated authority from the Board. The Executive Committee determines group strategy, reviews business performance, ensures adequate funding and examines major investments. The Executive Committee reports through the Chairman to the Board.

Members of the Executive Committee are:

		Attendance for the six-months ended 30 June 2005
Mr. Cheok Ho Fung, Peter <i>(Chairman and Chief Executive Officer)</i>	Chairman	1/1
Mr. Ng Chi Shing <i>(Executive Director)</i>	Member	1/1
Mr. Wong Shui Hing <i>(Executive Director)</i>	Member	1/1
Mr. Ting Sui Ping <i>(Executive Director)</i>	Member	1/1

Corporate Governance Department

The Corporate Governance Department plays a major role in monitoring the internal governance of the Company. The Department has unrestricted access to information that allows it to review all aspects of the Company's risk management and governance processes. With audit plan, it conducts audits of the practices, procedures and internal controls of all business and support units. As requested by the Board Committees, it also conducts ad-hoc reviews or investigations. The Corporate Governance Manager reports directly to the Chief Executive Officer and has direct access to the Audit Committee.

Investor Relations and Communication

The Company continues to commit a proactive policy of promoting investor relations and communication with shareholders and analysts. In order to further promote effective communication, the Company maintains a website (www.topsearch.com.hk) to disclose the Company's information to shareholder on a timely basis.

AUDIT COMMITTEE

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee.

APPRECIATION

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

On behalf of the Board

CHEOK HO FUNG

Chairman and Chief Executive Officer

Hong Kong, 29 August 2005