



至卓

T O P S E A R C H

Topsearch International (Holdings) Limited

至卓國際（控股）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2323)

Interim Report 2012

* For identification purpose only

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Chairman's Statement

FINANCIAL PERFORMANCE

Compared to the unaudited financial results for the same period in 2011, the sales revenue of Topsearch International (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2012 (the "Period") decreased. The Group's loss before tax for the Period was approximately HK\$54.4 million as compared to loss before tax of approximately HK\$21.4 million for the same period of 2011. Loss per share was 6.01 Hong Kong cents for the Period, as compared to loss per share of 3.18 Hong Kong cents for the same period of 2011.

DIVIDENDS

The board of directors (the "Board" or "Directors") does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of a broad range of printed circuit boards (the "PCB") during the Period.

The Group's sales turnover for the Period has decreased by about 32% when compared with the same period of last year due to the substantial decrease in demand for the Group's products by some of our major customers as a result of the recent financial crisis of the European Union. The gross profit decreased by 48.2% and the gross profit margin reduced from 8.8% to 6.7% due to the increase in the Group's labor and other costs. As a whole, the Group recorded finally a net loss of approximately HK\$55.6 million for the Period (2011: HK\$28.9 million).

During the Period, the majority of the Group's production continued to be centralized in the Group's Shaoguan plant whereas the Group's Shenzhen plant would be focused on producing high-mix and low-volume products. As disclosed in the annual report of the Company for the year ended 31 December 2011, Topsearch Printed Circuits (Tongliao) Limited, one of the Company's wholly-owned subsidiaries, entered into a Property Assignment Agreement with Tongliao Xutong Solar Technology Company Limited, an independent third party, for selling a portion of a parcel of industrial land and the buildings erected on the existing plant in Tongliao at the consideration of RMB51 million (approximately HK\$59.3 million). The Group had already received the deposit payment of RMB20 million during the year 2011 whilst another RMB10 million out of the remaining balance of the consideration had been received in the first half of year 2012.

Chairman's Statement

To improve the Group's financial position, the Group has implemented various sales strategies to increase its sales turnover and profit margins of its products. The Group shall continue to enhance its marketing efforts to expand its market coverage and will further improve and diversify its product mix.

PROSPECT

In the second quarter this year the drop in demand world-wide in the personal computers ("PC") and therefore their ancillary parts and equipment including Hard Disk Drives ("HDD"), which is so far still the major supply of our products, has resulted a substantial reduction of our revenue starting May and continuing into August. The outlook may improve starting September this year hopefully when the inventories issues of our major HDD customers will be resolved, despite the fact that uncertainties in the economy in various regions, particularly in the European Community, as well as consumer's low interest in the PC products including HDD, may still prevail.

For a short period of time the Group may have difficulty to register profit because of such soft market however it will continue to work very hard to improve its competitiveness through costs and expenses reduction, as the gradual winding down of its Shekou facility would offer such opportunity. Currently its Shekou facility is only focused in producing high mix low volume products and samples only. On the bright side this has also allowed us to look for opportunity to develop the Shekou facility on other applications, with a view to improve the utilization of our resources and therefore our financial health.

APPRECIATION

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

On behalf of the Board

Cheok Ho Fung

Chairman and Chief Executive Officer

Hong Kong, 16 August 2012

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 30 June 2012, the Group had total equity of HK\$555 million (31 December 2011: HK\$611 million) and net debt (trade payables, other payables and accruals, interest-bearing borrowings, amount due to an associate, provision, shareholder's loans less cash and cash equivalents) of HK\$685 million (31 December 2011: HK\$707 million), representing a gearing ratio, defined as net debt over total equity plus net debt, of 55% (31 December 2011: 54%).

The Group's net current liabilities of HK\$327 million (31 December 2011: HK\$242 million) consisted of current assets of HK\$472 million (31 December 2011: HK\$522 million) and current liabilities of HK\$799 million (31 December 2011: HK\$764 million), representing a current ratio of 0.59 (31 December 2011: 0.68).

As at 30 June 2012, the Group's current assets consisted of HK\$114 million (31 December 2011: HK\$107 million) of cash and cash equivalents, of which 2% was in Hong Kong dollars (the "HKD"), 15% was in United States dollars (the "USD"), 81% was in Renminbi (the "RMB") and 2% in other currencies.

Interest-bearing borrowings

As at 30 June 2012, the Group had interest-bearing borrowings as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Amounts payable:		
Within one year	417,139	438,312
In the second year	—	52,149
	417,139	490,461
Less: Portion classified as current liabilities	417,139	438,312
Non-current portion	—	52,149

Management Discussion and Analysis

Of the total interest-bearing borrowings, HKD denominated loans accounted for 24% (31 December 2011: 10%), USD denominated loans accounted for 31% (31 December 2011: 39%), and the 45% balance was RMB denominated loans (31 December 2011: 51%) as at 30 June 2012. All bank loans are charged with floating rates and the effective interest rates ranged from 2.03% to 6.31% (2011: 3.80% to 6.67%) per annum. The Board does not recognise a significant seasonality of borrowing requirements.

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

- (i) certain buildings and leasehold land held by the Group; and
- (ii) the assignment of trade receivables of a subsidiary of the Group.

There were shareholder's loans advanced by Mr. Cheok Ho Fung, an Executive Director, Chairman of the Board, Chief Executive Officer and a controlling shareholder of the Company at the effective interest rate of 7% per annum (2011: 6%).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group neither held any significant non-consolidated investments nor underwent any material acquisitions or disposals of subsidiaries and associated companies during the first half year of 2012.

FOREIGN EXCHANGE EXPOSURE

Sales of the Group's products are principally denominated in USD and the purchases of materials and payments of operational expenses are mainly denominated in USD, HKD and RMB. Approximately 47% of the Group's purchases and 89% of the Group's expenses are denominated in RMB. As the Group imported a substantial portion of its major raw materials and machines from overseas which were non-RMB denominated, this would help to mitigate the full effects arising from RMB appreciation.

The Group currently does not have a foreign currency hedging policy. However, the Group's management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure to minimise exchange risk should the need arise.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2012, excluding the associated companies, the Group had approximately 3,498 employees (31 December 2011: 2,848). For the six months ended 30 June 2012, the Group's total staff costs amounted to HK\$96 million (30 June 2011: HK\$105 million).

Management Discussion and Analysis

There have been no material changes to the information disclosed in the 2011 Annual Report in respect of the share option scheme (save as disclosed below), remuneration policies and staff training and development.

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

CAPITAL COMMITMENTS

As at 30 June 2012, the Group's capital commitments contracted but not provided for amounted to HK\$3 million (31 December 2011: HK\$8 million). There was no capital commitments authorised but not contracted for (31 December 2011: Nil). All of these capital commitments were related to construction of factory buildings and acquisition of plant and machinery.

OTHER COMMITMENTS

As at 30 June 2012, the Group's capital contribution committed to a subsidiary established in the PRC amounted to RMB10 million (approximately HK\$12.3 million) (31 December 2011: Nil).

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (30 June 2011: Nil).

Save as disclosed above and under the section headed "MATERIAL CHANGES" in "Disclosure of Additional Information", the Group's current information in relation to those matters set out in paragraph 32 of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") has not changed materially from the information disclosed in the most recent published 2011 Annual Report.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' interests in Shares

As at 30 June 2012, the interests and short positions of the directors in the shares, underlying share capital and underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

(a) The Company

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

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

Disclosure of Additional Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

1. Directors' interests in Shares (continued)

(b) Associated Corporation — Inni International Inc.

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

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

(c) Subsidiary — Topsearch Industries (Holdings) Limited

Name of director		Nature of interest	Number of deferred shares held	Percentage of total deferred shares issued
Mr. Cheek Ho Fung		Direct	2,000,100	10.00%
	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. Cheek Ho Fung and as to 51% jointly by Mr. Cheek Ho Fung and his spouse, Mrs. Cheek Chu Wai Min.

Disclosure of Additional Information

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

2. Directors' Interests in Share Options of the Company

As at 30 June 2012, none of the Company's directors held share options of the Company.

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

Saved as disclosed above, as at 30 June 2012, none of the directors or chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

Long positions in Shares:

As at 30 June 2012, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholders	Notes		Number of ordinary shares held	Percentage of issued capital
Inni International Inc.	Direct	Long position	432,000,000	47.65%
Mr. Cheok Ho Fung	Direct	Long position	78,250,000	8.63%
	(i) Deemed	Long position	432,000,000	47.65%
	Total		510,250,000	56.28%
Mrs. Cheok Chu Wai Min	(ii) Deemed	Long position	510,250,000	56.28%
Hallgain Management Limited	(iii) Deemed	Long position	206,992,000	22.83%

Disclosure of Additional Information

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

Long positions in Shares: (continued)

Name of shareholders	Notes			Number of ordinary shares held	Percentage of issued capital
Kingboard Chemical Holdings Limited	(iii)	Direct	Long position	2,766,000	0.30%
		Deemed	Long position	204,226,000	22.53%
Total				206,992,000	22.83%
Jamplan (BVI) Limited	(iii)	Deemed	Long position	204,226,000	22.53%
Kingboard Laminates Limited	(iii)	Direct	Long position	202,000	0.03%
Kingboard Investments Limited	(iii)	Direct	Long position	204,024,000	22.50%
Majestic Wealth Limited	(iv)	Direct	Long position	0	0%

Notes:

- (i) The above interest in the name of Inni International Inc. was also disclosed as interest of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (ii) Mrs. Cheok Chu Wai Min is the spouse of Mr. Cheok Ho Fung. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min. The shareholdings stated against Mr. Cheok Ho Fung and Mrs. Cheok Chu Wai Min above represented the same block of shares, which were also included as interests of Mr. Cheok Ho Fung in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (iii) Kingboard Investments Limited and Kingboard Laminates Limited, holders 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 35.30% equity shares in Kingboard Chemical Holdings Limited.

Disclosure of Additional Information

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

Long positions in Shares: (continued)

Notes:

- (iv) Reference was made to the announcements and publications on the websites of the Stock Exchange and of the Company on 27 August 2007, 20 October 2009, 19 November 2009, 18 December 2009, 20 January 2010, 18 February 2010, 11 March 2010, 29 March 2010, 18 June 2010, 28 June 2010, 29 June 2010 and 2 August 2010.

On 2 August 2010, a special general meeting (the "SGM") had been held whereat a special resolution had been passed for approving the Company's off-market repurchase of 93,400,000 shares (the "Repurchased Shares") in the capital of the Company at the reference price of HK\$0.58 per Repurchased Share from Majestic Wealth Limited pursuant to two Termination Agreements (as defined in the abovesaid announcements) dated 17 February 2010 and entered into between the Company, Topsearch Tongliao Investment (BVI) Limited (one of the Company's indirect wholly owned subsidiary) and Majestic Wealth Limited.

Saved as disclosed above, as at 30 June 2012, no person, other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' Interests in Shares and Underlying Shares" above had registered any interests or short position in the shares or underlying shares of the Company that are required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

Disclosure of Additional Information

SHARE OPTION SCHEME (continued)

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

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

Further details of the Scheme had been stated on pages 26 to 28 of the 2011 Annual Report.

There were no Options granted during the six months ended 30 June 2012. As at the end of the reporting period of 30 June 2012, no Options were outstanding under the Scheme.

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

MATERIAL CHANGES

Save as disclosed under the sections headed "THE BOARD OF DIRECTORS" and "EVENTS AFTER THE REPORTING PERIOD", there has been no material change in respect of any other matters since the publication of the latest 2011 Annual report.

Disclosure of Additional Information

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Company (the "Senior Management") are of the opinion that during the first half year of 2012, the Company has properly operated in accordance with the former Code on Corporate Governance Practices (the "CG Code") during the period from 1 January to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (the "revised CG Code") during the period from 1 April to 30 June 2012 which sets out (a) code provisions (which are expected to comply with); and (b) recommended best practices (which are for guidance only) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") (the "Stock Exchange"). The Company has complied with the code provisions and some of the recommended best practices except for one deviation of code provisions as stated in the section headed "Compliance with CG Code and revised CG Code" below.

The Board is committed to the principles of transparency, accountability and independence highlighted by the CG Code and the revised 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.

Disclosure of Additional Information

CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

Compliance with CG Code and revised CG Code

The Directors confirm that, the Company has complied with the code provisions set out in the CG Code during the period from 1 January to 31 March 2012 and the revised CG Code during the period from 1 April to 30 June 2012 save for the deviation mentioned below.

Mr. Cheok Ho Fung is the Chairman as well as the Chief Executive Officer of the Company. This arrangement deviates from provision A.2.1 of the CG Code and the revised CG Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

The Board will carry out a regular review and propose any amendment, if necessary, to ensure compliance with the revised CG Code provisions as set out in the Listing Rules.

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

The Company has adopted its own code of conduct (the "Own Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

The Company, having made specific enquiries, confirms that members of the Board have complied with the Own Code throughout the six months ended 30 June 2012. 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.

Disclosure of Additional Information

THE BOARD OF DIRECTORS

As at the date of this report, the Board consists of six Directors with a variety and a balance of skills and experience in accounting, manufacturing, marketing, finance, investment and legal professions. Their brief biographical particulars are set out in the 2011 Annual Report. The detailed composition of the Board during the Period and as at the date of this report is as follows:

Name of Directors

Position

Executive Directors

Mr. Cheok Ho Fung

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

Mr. Liu Wai On

Member of executive committee (resigned as Executive Director and Member of executive committee on 30 April 2012)

Non-Executive Directors

Mr. Tang Yok Lam, Andy

Member of remuneration committee and nomination committee

Mr. Ng Kwok Ying, Alvin

Member of audit committee

Mr. Xiang Dong

Member of audit committee (resigned as Non-Executive Director and Member of audit committee on 30 April 2012)

Independent Non-Executive Directors

Mr. Leung Shu Kin, Alfred

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

Mr. Wong Wing Kee

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

Mr. Ng Kee Sin

Chairman of audit committee

Disclosure of Additional Information

THE BOARD OF DIRECTORS (continued)

Reference was made to the announcements dated 30 April and 2 May 2012 published at the websites of the Stock Exchange and of the Company respectively (for details please refer to the aforesaid announcements), the Board had approved the following changes in the Board and announced that:

- (i) Mr. Liu Wai On resigned as an Executive Director and a member of the executive committee of the Company both effective on 30 April 2012.
- (ii) Mr. Xiang Dong resigned as a Non-Executive Director and a member of the audit committee of the Company both effective on 30 April 2012.

EVENTS AFTER THE REPORTING PERIOD

The subscription agreement and supplemental agreement

Reference was made to the announcements dated 13, 16 and 17 July 2012 and 8 August 2012 published at the websites of the Stock Exchange and of the Company respectively (for details, terms and expressions unless otherwise stated herein, please refer to the aforesaid announcements), the Board had approved the following and announced that:

On 12 July 2012 (after trading hours) and 17 July 2012, the Company entered into the Subscription Agreement and Supplemental Agreement with Subscribers A and B respectively, pursuant to which the Company as the Issuer had conditionally agreed to allot and issue and the Subscribers had conditionally agreed to subscribe for an aggregate of 93,400,000 Subscription Shares, for which each of Subscriber A and Subscriber B had conditionally agreed to subscribe for 48,400,000 and 45,000,000 Subscription Shares respectively, at the revised Subscription Price of HK\$0.1023 per Subscription Share.

All the conditions of the Subscription had been fulfilled and Completion took place on 8 August 2012 in accordance with the terms and conditions of the Subscription Agreement dated 12 July 2012 and the Supplemental Agreement dated 17 July 2012.

An aggregate of 93,400,000 Subscription Shares have been successfully allotted and issued by the Company to the Subscribers at the Subscription Price of HK\$0.1023 per Subscription Share under the General Mandate.

Disclosure of Additional Information

EVENTS AFTER THE REPORTING PERIOD (continued)

The subscription agreement and supplemental agreement (continued)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) each of the Subscribers and their ultimate owners are Independent Third Parties; and (ii) Subscriber A and Subscriber B are independent of and not connected with each other. It is expected that none of the Subscribers and their respective associates will become a substantial Shareholder (as defined in the Listing Rules) upon Completion on 8 August 2012.

Restoration of the Public Float

Immediately before Completion, the public Shareholders held 189,358,000 Shares, representing approximately 20.89% of the total issued share capital of the Company. Immediately after Completion on 8 August 2012, the public Shareholders held 282,758,000 Shares, representing approximately 28.28% of the total issued share capital of the Company. As such the public float of the Company has been restored to approximately 28.28% of the total issued share capital of the Company on 8 August 2012 in compliance with the minimum public float requirement under Rule 8.08(1) of the Listing Rules.

Disclosure of Additional Information

EVENTS AFTER THE REPORTING PERIOD (continued)

Effect on Shareholding Structure of the Company

Set out below is the shareholding structure of the Company (i) immediately before Completion; and (ii) immediately after Completion.

	Immediately before Completion		Immediately after Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Controlling shareholder				
Inni International Inc. (Note 1)	432,000,000	47.65	432,000,000	43.20
Mr. Cheok Ho Fung	78,250,000	8.63	78,250,000	7.82
Subtotal	510,250,000	56.28	510,250,000	51.02
Kingboard Group				
Kingboard Investments Limited (Note 2)	204,024,000	22.50	204,024,000	20.40
Kingboard Laminates Limited (Note 2)	202,000	0.03	202,000	0.02
Kingboard Chemical Holdings Limited (Note 2)	2,766,000	0.30	2,766,000	0.28
Subtotal	206,992,000	22.83	206,992,000	20.70
Public shareholders				
Subscriber A	—	—	48,400,000	4.84
Subscriber B	—	—	45,000,000	4.50
Other Public Shareholders	189,358,000	20.89	189,358,000	18.94
Subtotal	189,358,000	20.89	282,758,000	28.28
Total	906,600,000	100.00	1,000,000,000	100.00

Disclosure of Additional Information

EVENTS AFTER THE REPORTING PERIOD (continued)

Effect on Shareholding Structure of the Company (continued)

Notes:

- (1) Inni International Inc. is a company incorporated in the Republic of Liberia. The shares of Inni International Inc. are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse, Mrs. Cheok Chu Wai Min.
- (2) Kingboard Investments Limited and Kingboard Laminates Limited are a wholly-owned subsidiary and a non-wholly-owned subsidiary of Jamplan (BVI) Limited respectively which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited. Hallgain Management Limited owns 35.30% equity shares in Kingboard Chemical Holdings Limited.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The accounting information given in this interim report has not been audited by the external auditors of the Company. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 have been reviewed by the Company's Audit Committee.

PUBLICATION OF THE 2012 INTERIM REPORT

The 2012 Interim Report of the Company, which contains all the information required by the Listing Rules, has been published on the websites of the Company (www.topsearch.com.hk) and of the Stock Exchange (www.hkex.com.hk) respectively.

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	4	448,598	659,379
Cost of sales		(418,643)	(601,537)
Gross profit		29,955	57,842
Other income	4	2,644	5,091
Other gains and losses	5	2,832	2,112
Selling and distribution costs		(33,677)	(43,042)
Administrative expenses		(39,668)	(32,293)
Finance costs	7	(16,490)	(11,063)
LOSS BEFORE TAX	6	(54,404)	(21,353)
Income tax expenses	8	(1,227)	(7,515)
LOSS FOR THE PERIOD		(55,631)	(28,868)
Other comprehensive income (net of tax)			
Exchange difference arising on translation		—	27,980
Total comprehensive expense for the period		(55,631)	(888)
Loss attributable to:			
Owners of the Company		(54,531)	(28,868)
Non-controlling interests		(1,100)	—
		(55,631)	(28,868)
Total comprehensive expense attributable to:			
Owners of the Company		(54,531)	(888)
Non-controlling interests		(1,100)	—
		(55,631)	(888)
LOSS PER SHARE			
— Basic	9	6.01 HK cents	3.18 HK cents

Unaudited Condensed Consolidated Statement of Financial Position

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		836,446	856,604
Prepaid lease payments		39,649	40,144
Interest in associates		4,396	4,396
Rental and utility deposits		107	107
Prepaid rent		210	324
Available-for-sale financial assets		1,857	1,857
Deposits paid for acquisition of property, plant and equipment		4,669	6,591
		887,334	910,023
CURRENT ASSETS			
Inventories		162,218	175,621
Prepaid lease payments		988	988
Trade receivables	11	147,994	157,769
Prepayments, deposits and other receivables		43,191	76,275
Amounts due from non-controlling shareholders		4,000	4,000
Cash and cash equivalents	12	113,749	107,456
		472,140	522,109
CURRENT LIABILITIES			
Trade payables	13	244,204	173,693
Other payables and accruals		127,384	126,386
Provision		5,515	19,162
Amount due to an associate		4,372	4,396
Tax payable		926	2,469
Interest-bearing bank loans	14	305,698	438,312
Shareholder's loans	15	111,441	—
		799,540	764,418
NET CURRENT LIABILITIES		(327,400)	(242,309)
TOTAL ASSETS LESS CURRENT LIABILITIES		559,934	667,714

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
CAPITAL AND RESERVES			
Share capital	16	90,660	90,660
Reserves		462,207	516,738
Equity attributable to owners of the Company		552,867	607,398
Non-controlling interests		2,269	3,369
Total equity		555,136	610,767
NON-CURRENT LIABILITIES			
Shareholder's loans	15	—	52,149
Deferred tax liabilities		4,798	4,798
		4,798	56,947
		559,934	667,714

Unaudited Condensed Consolidated Statement of Changes in Equity

	Share capital (Unaudited) HK\$'000	Share Premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2012	90,660	337,640	19,000	18,351	249,177	30,008	(137,438)	607,398	3,369	610,767
Loss for the period	—	—	—	—	—	—	(54,531)	(54,531)	(1,100)	(55,631)
Total comprehensive expense for the period	—	—	—	—	—	—	(54,531)	(54,531)	(1,100)	(55,631)
At 30 June 2012	90,660	337,640*	19,000*	18,351*	249,177*	30,008*	(191,969)*	552,867	2,269	555,136

	Share capital (Unaudited) HK\$'000	Share Premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Statutory reserve fund (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2011	90,660	337,640	19,000	18,351	201,843	30,008	301,558	999,060	—	999,060
Loss for the period	—	—	—	—	—	—	(28,868)	(28,868)	—	(28,868)
Exchange difference arising on translation and other comprehensive income for the period	—	—	—	—	27,980	—	—	27,980	—	27,980
Total comprehensive income (expense) for the period	—	—	—	—	27,980	—	(28,868)	(888)	—	(888)
At 30 June 2011	90,660	337,640*	19,000*	18,351*	229,823*	30,008*	272,690*	998,172	—	998,172

* These reserve accounts comprise the reserves of HK\$462,207,000 (30 June 2011: HK\$907,512,000) in the condensed consolidated statement of financial position.

Unaudited Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(54,404)	(21,353)
Adjustments for:		
Depreciation of property, plant and equipment	30,470	63,849
Interest Income	(108)	(175)
Finance costs	16,490	11,063
Gain on disposal of property, plant and equipment	(880)	—
Release of prepaid lease payments	495	406
Reversal of allowance for obsolete inventories	—	(4,280)
Operating cash flows before movements in working capital	(7,937)	49,510
Increase in rental and utility deposits	—	(619)
Decrease (increase) in prepaid rent	114	(68)
Decrease (increase) in inventories	13,403	(5,579)
Decrease (increase) in trade receivables	9,775	(41,240)
Decrease (increase) in prepayments, deposits and other receivables	33,084	(5,827)
Increase in trade payables	70,511	17,965
Decrease in other payables and accruals	(11,348)	(10,469)
Utilisation of provision	(13,647)	—
Decrease in amount due to an associate	(24)	—
Cash generated from operations	93,931	3,673
Income tax paid	(2,770)	(15,374)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	91,161	(11,701)
INVESTING ACTIVITIES		
Interest received	108	175
Proceeds from disposal of property, plant and equipment	1,353	—
Deposits received for disposal of land and buildings	12,346	—
Purchase of property, plant and equipment	(1,547)	(2,932)
Deposits paid for acquisition of property, plant and equipment	(7,316)	(6,018)
Decrease in pledged bank deposits	—	38,735
NET CASH FROM INVESTING ACTIVITIES	4,944	29,960
FINANCING ACTIVITIES		
New bank loans	305,698	578,101
Repayment of bank loans	(438,312)	(524,750)
New shareholder's loans	63,075	72
Repayment of shareholders' loans	(3,783)	—
Interest paid	(16,490)	(11,063)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(89,812)	42,360
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,293	60,619
Effect of foreign exchange rate changes	—	10,793
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	107,456	69,987
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by cash and bank balances	113,749	141,399

1. GENERAL

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

During the six months ended 30 June 2012 (the "Period"), the Group was involved in the manufacture and sale of printed circuit boards.

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and in compliance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain properties and financial instruments that are measured at revalued amounts or fair values. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2012.

Notes to Condensed Consolidated Financial Statements

30 June 2012

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

HKFRS 7 (Amendment) Disclosures — Transfers of Financial Assets

HKAS 12 (Amendment) Deferred Tax: Recovery of Underlying Assets

The adoption of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior periods.

The Group has not applied any new and revised HKFRSs that are not yet effective for the current accounting period.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of HK\$55,631,000 during the six months period ended 30 June 2012 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$327,400,000.

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) the Group has finalized the facility agreement with China Construction Bank Shaoguan Branch for a total facility of RMB300 million in June 2012 which would be replacing the ones given by the other PRC banks during the last year of 2011. As of the date of this report, the Group has already fully utilized the abovementioned banking facilities and there will be no financial need or plan for obtaining additional bank borrowings in the near future;
- (b) as regard to the disposal of a portion of a parcel of industrial land and buildings in Tongliao, the Group has received an additional deposit payment of RMB10 million from the Supervisor (as to be referred in the related announcements already published by the Company) in April 2012 whereas the remaining balance of another RMB21 million will also be expected to be collected by two further installments before the end of year 2012 under a written guarantee letter by the Supervisor;

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (c) the Group would expect to complete the relocation of the production facilities from Shekou to Qujiang before the end of this current year so as to attain further cost reduction in production overheads from avoiding high labour costs in Shenzhen and better utilization of production facilities from consumption of available capacity in the factory of Qujiang; and
- (d) the controlling shareholder of the Company has provided new temporary advances amounting to approximately HK\$59,292,000 to the Company during the first half of this current year.

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

3. SEGMENT INFORMATION

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

Notes to Condensed Consolidated Financial Statements

30 June 2012

3. 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:

	For the six months ended	
	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Singapore	123,712	115,057
The People's Republic of China (the "PRC")	90,588	156,002
Malaysia	78,414	76,884
Thailand	51,698	102,469
Hong Kong	35,149	67,743
Germany	18,599	28,465
United States of America	18,133	19,311
Taiwan	15,914	26,652
Others	16,391	66,796
	448,598	659,379

Notes:

- (i) Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.
- (ii) Non-current assets other than available-for-sale financial assets amounting to HK\$885,477,000 (31 December 2011: HK\$908,166,000) are located in the entities' countries of domicile, the PRC and Hong Kong.

(b) Information about major customers

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

	For the six months ended	
	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Customer A	91,704	98,110
Customer B	62,527	N/A*
Customer C	46,794	88,737
Customer D	46,411	N/A*

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

Notes to Condensed Consolidated Financial Statements

30 June 2012

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the amounts received and receivables for goods sold by the Group to outside customers, less discounts and sales related taxes.

An analysis of revenue and other income is as follows:

	For the six months ended	
	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Revenue		
Sales of goods	448,598	659,379
Other income		
Tooling income	1,024	1,559
Sample income	739	1,522
Interest income	108	175
Others	773	1,835
	2,644	5,091

5. OTHER GAINS AND LOSSES

	For the six months ended	
	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Foreign exchange differences, net	1,952	2,112
Gain on disposal of property, plant and equipment	880	—
	2,832	2,112

Notes to Condensed Consolidated Financial Statements

30 June 2012

6. LOSS BEFORE TAX

The Group's loss before tax has been arrived at after charging (crediting):

	For the six months ended	
	30 June 2012	30 June 2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Reversal of allowance for obsolete inventories	—	(4,280)
Cost of inventories recognised as an expense	418,643	601,537
Depreciation of property, plant and equipment	30,470	63,849
Release of prepaid lease payments	495	406
Foreign exchange differences, net	(1,952)	(2,112)
Bank interest income	(108)	(175)

7. FINANCE COSTS

	For the six months ended	
	30 June 2012	30 June 2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	13,936	9,586
Shareholder's loans	2,554	1,477
	16,490	11,063

8. INCOME TAX EXPENSES

	For the six months ended	
	30 June 2012	30 June 2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The income tax expenses comprise:		
PRC Enterprise Income Tax		
Current period	926	—
Under-provision in prior years	301	7,515
	1,227	7,515

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

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

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in tax rate for the next three years.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss attributable to the ordinary equity holders of the Company of HK\$54,531,000 for the Period (2011: loss of HK\$28,868,000) and the weighted average of 906,600,000 (2011: 906,600,000) ordinary shares in issue during the Period.

Diluted loss per share is not presented as there were no potential ordinary shares in issue for both periods and as at 30 June 2012 and 2011.

Notes to Condensed Consolidated Financial Statements

30 June 2012

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (2011: Nil).

11. TRADE RECEIVABLES

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
0 — 30 days	52,242	55,736
31 — 60 days	72,037	57,910
61 — 90 days	17,651	33,074
Over 90 days	6,064	11,049
	147,994	157,769

12. CASH AND CASH EQUIVALENTS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Cash and bank balances	113,749	107,456
Cash and cash equivalents	113,749	107,456

Notes to Condensed Consolidated Financial Statements

30 June 2012

13. TRADE PAYABLES

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
0 — 30 days	60,322	47,196
31 — 60 days	75,504	57,810
61 — 90 days	47,594	29,045
Over 90 days	60,784	39,642
	244,204	173,693

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

14. INTEREST-BEARING BANK LOANS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Current Bank loans, secured	305,698	438,312
	305,698	438,312

The bank loans of the Group are secured by certain buildings and leasehold land held by the Group and the assignment of trade receivables of a subsidiary of the Group. All bank loans carried floating interest rates and the effective interest rates ranged from 2.03% to 6.31% (2011: 3.80% to 6.67%) per annum.

Notes to Condensed Consolidated Financial Statements

30 June 2012

15. SHAREHOLDER'S LOANS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Unsecured loans from a controlling shareholder:		
— interest bearing at 7% and repayable on 2 January 2013	52,149	52,149
— interest bearing at 7% and repayable on demand	59,292	—
	111,441	52,149

The shareholder's loans were advanced by Mr. Cheok Ho Fung, a director and controlling shareholder of the Company. The effective interest rate of the loans is 7% per annum.

16. SHARE CAPITAL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
906,600,000 ordinary shares of HK\$0.1 each	90,660	90,660

Notes to Condensed Consolidated Financial Statements

30 June 2012

17. OPERATING LEASE COMMITMENTS

As at 30 June 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due during the Period as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	3,996	5,016
In the second to fifth years, inclusive	2,585	3,164
	6,581	8,180

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

18. CAPITAL AND OTHER COMMITMENTS

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Capital and other expenditure, contracted for but not provided in the consolidated financial statements, in respect of:		
the construction of factory buildings	1,402	674
the acquisition of plant and machinery	1,377	7,228
	2,779	7,902

Notes to Condensed Consolidated Financial Statements

30 June 2012

19. RELATED PARTY TRANSACTIONS

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

Related party	Notes	Nature of transaction	For the six months ended	
			30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Keentop Investment Limited ("Keentop")	(i)	Rental and management fee expenses	1,049	1,034
Mr Cheok Ho Fung	(ii)	Interest on shareholder's loans	2,554	1,477

Notes:

- (i) The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to a property leased as their residence. Pursuant to a tenancy agreement entered into on 10 June 2008, the monthly rental and management fee was HK\$163,000 and HK\$9,000 respectively, for the period from 1 June 2008 to 31 May 2011. A new tenancy agreement was entered on 1 June 2011, with the monthly rental and management fee fixed at HK\$165,000 and HK\$9,000 respectively for the period from 1 June 2011 to 31 May 2014. The monthly management fee has been increased to HK\$9,900 since 1 July 2011.
- (ii) The interest expense was charged at prime rate plus 1% and 7% for the shareholder's loans granted by Mr. Cheok Ho Fung during the period from January through June 2011 and from January through June 2012 respectively.
- (b) Details of the compensation of key management personnel of the Group were as follows:

	For the six months ended	
	30 June 2012 (Unaudited) HK\$'000	30 June 2011 (Unaudited) HK\$'000
Short-term benefits	4,456	3,747
Post-employment benefits	151	136
	4,607	3,883