

T O P S E A R C H

29 June 2010

To the shareholders of the Company

Dear Sir or Madam,

**TERMINATION OF ACQUISITION
AND
OFF-MARKET REPURCHASE OF SHARES**

INTRODUCTION

Termination of Acquisition

Reference is made to the announcements of the Company dated 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 May 2010 and 18 June 2010.

On 23 August 2007, the Company entered into the Acquisition Agreement with Majestic Wealth for the purchase of the Property at RMB71 million. Among the RMB71 million consideration, of which RMB52,696,498 was satisfied by issue and allotment of the Land Consideration Shares at the Issue Price to Majestic Wealth. The remaining balance of RMB18,303,502 is to be settled in cash pursuant to the Acquisition Agreement. The Company has not paid the remaining balance of RMB18,303,502 to Majestic Wealth as at the Latest Practicable Date.

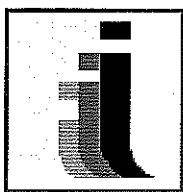
Based on commercial considerations as stated below in this circular, after trading hours on 17 February 2010, the Company, Majestic Wealth and Topsearch Tongliao entered into the Termination Agreements to unwind the Acquisition by:

- (i) terminating the transfer of the Property to the Group;
- (ii) extinguishing the Group's payment obligation in respect of the remaining balance of RMB18,303,502; and

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(iii) repurchasing and canceling the Repurchased Shares by the Company.

Pursuant to the Termination Agreements, the Company will pay Majestic Wealth for RMB350,000 as the consideration and termination fee which will be or shall be deemed to be in full and final settlement to extinguish in full (a) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 in relation to the Acquisition, and (b) the payment of the Repurchase Amount by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price.

Pursuant to the Termination Agreements, the provision in the Main Acquisition Agreement relating to the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth will not be terminated.

Off-Market Repurchase of Shares

On Completion, the Repurchased Shares that are repurchased by the Company will be cancelled. As a result, the number of Shares in issue following the Securities Repurchase will be reduced from 1,000,000,000 (being the number of Shares currently in issue) to 906,600,000. Majestic Wealth has no securities of the Company other than the Repurchased Shares and it will hold no more Shares after Completion.

It is envisaged that immediately upon completion of the Termination Agreements, the public float of the Company will fall below the minimum public float requirement under Rule 8.08(1) of the Listing Rules.

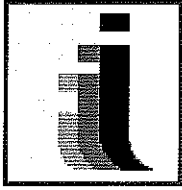
Implications of the Repurchase Code

The transactions contemplated under the Termination Agreements constitute an off-market repurchase of shares by the Company under the Repurchase Code. The Termination Agreements are conditional as described below. In particular, the Securities Repurchase is subject to approval by at least three-fourths of the vote cast on a poll by Disinterested Shareholders present in person or by proxy at the SGM and approval by the Executive. There is no assurance that such approvals will be granted or that all conditions precedent of the Termination Agreements

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will be fulfilled. The SGM will be convened and held to consider and, if thought fit, approve the Termination Agreements and the transactions contemplated therein.

The Independent Board Committee has been established to give recommendation to the Disinterested Shareholders regarding the Termination Agreements, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Disinterested Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, further details of the Termination Agreements, the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser, the notice of the SGM and other information as required under the Repurchase Code.

The Termination Agreements

The principal terms of the Termination Agreements are as follows:

Date : 17 February 2010

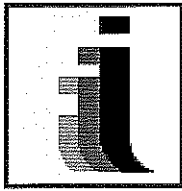
Parties : The Company;
Topsearch Tongliao; and
Majestic Wealth

Principal Terms : (i) terminating the transfer of the Property to the Group;
(ii) extinguishing the Group's payment obligation in respect of the remaining balance of RMB18,303,502; and
(iii) repurchasing and canceling the Repurchased Shares by the Company.

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Consideration

The Company agrees to pay Majestic Wealth RMB350,000 as the consideration for the Termination Agreements, which consideration and termination fee will be or shall be deemed to be in full and final settlement to extinguish in full (a) the payment obligation on the part of the Company and/or Topsearch Tongliao for the remaining balance of RMB18,303,502 in relation to the Acquisition, and (b) the payment of the Repurchase Amount by the Company to Majestic Wealth to effect the Securities Repurchase at the Reference Price.

The consideration of RMB350,000 was determined between the Company, Majestic Wealth and Topsearch Tongliao after arm's length negotiations and taking in account the possible return on investment which Majestic Wealth would have received had the outstanding balance of RMB18,303,502 been paid on or before 31 December 2008.

Upon the Securities Repurchase by the Company at Completion, the Repurchased Shares will be cancelled in accordance with the Companies Act of Bermuda.

Pursuant to the Termination Agreements, the provision in the Main Acquisition Agreement relating to the settlement of the outstanding sum in relation to the construction cost of the manufacturing plant on Land A between the Group and Majestic Wealth will not be terminated.

The Repurchased Shares

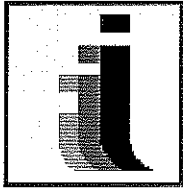
The Repurchased Shares amount to 93,400,000 Shares and represent approximately 9.34% of the issued share capital of the Company as at the Latest Practicable Date. The Repurchased Shares together with all rights attaching or accruing thereto including the right to receive dividend and other distributions declared, made or paid, on or after Completion will be transferred to the Company at the Reference Price and then cancelled.

Subject to the review by the Company's auditors, it is expected that as a result of completion of the Termination Agreements and the transactions contemplated thereunder, including the repurchase and cancellation of the Repurchased Shares, the consolidated net assets per share and the earnings per share would increase and

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the working capital of the Group would decrease due to the removal of “other receivable” under the current assets.

The Company does not expect any change to the liabilities of the Group.

The Company is of the view that the said changes in the consolidated net asset per share, earnings per share and working capital of the Group would not bring any material adverse change to the Group.

The Reference Price agreed by the parties for the cancellation of the Repurchased Shares represents:

- (i) the Issue Price
- (ii) a premium of approximately 41.46% over the closing price of HK\$0.41 per Share as quoted on the Stock Exchange on 17 February 2010, being the date of the Termination Agreements;
- (iii) a premium of approximately 38.10% over the average of the closing price of approximately HK\$0.42 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 February 2010;
- (iv) a premium of approximately 31.82% over the average of the closing price of approximately HK\$0.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 17 February 2010;
- (v) a discount of approximately 48.67% to the unaudited net assets value per Share attributable to equity Shareholders of the Company as at 30 June 2009 of approximately HK\$1.13; and
- (vi) a premium of approximately 46.84% over the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Conditions precedent of the Termination Agreements

Completion shall be conditional upon the conditions precedent set out below having been satisfied:

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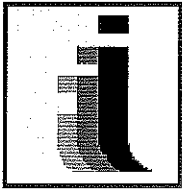
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- (i) the necessary approval by the Executive for any off-market share repurchase to be made by the Company pursuant to the Termination Agreements; and
- (ii) the Shareholders having passed the necessary special resolutions at general meeting of the Company to approve the Termination Agreements and the transactions (including the Share Repurchase) contemplated thereunder. Only Disinterested Shareholders have the voting rights at that general meeting.

The Securities Repurchase by the Company constitutes an off-market share repurchase of the Company. Under Rule 2 of the Repurchase Code, an off-market share repurchase must be approved by the Executive. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the proposed repurchase by at least three-fourths of the votes cast on a poll by Disinterested Shareholders present in person or by proxy at a general meeting to be held for such purposes. Due compliance with the aforesaid voting requirement on the Termination Agreements will be made by the Company in this regard.

Completion

Completion shall take place on the second business day after the fulfillment of the conditions precedent to the Termination Agreements.

Completion of the Termination Agreements will have the effect of completely unwinding the Acquisition, the result of which will be that Majestic Wealth will cease to have any interest in the share capital of the Company.

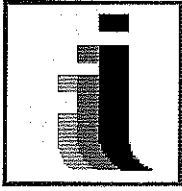
Reasons for Entering into the Termination Agreements

The Group initially expected to acquire the Property as part of the Group's plan to shift part of its production facilities to Tongliao Economic Development Zone, Inner Mongolia, the PRC, which has a lower cost base. Nonetheless, the Company considers that it is no longer in the interest of the Company and its shareholders as a whole to proceed with the development of the Property for the following reasons:

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- (i) As disclosed in the annual report of the Group for the year ended 31 December 2007, as a result of the economic recession at the beginning of 2008, the demand for printed circuit boards, the manufacture and sale of which the Group is principally engaged in, has decreased substantially. The Company is of the opinion that the demand for printed circuit boards is unlikely to be restored in the near future to the level prior to 2008.
- (ii) In view of the above, the Company considers that it would not be in the interests of the Group to proceed with the development of the Property.
- (iii) However, pursuant to the Rules of Idle Land (Land Resources Department of PRC reference no. 5), any delay in the development would attract a land idle fee under PRC law and the Property would be subject to resumption by the PRC government. As the Property has been idle for a significant period of time, the PRC government resumed the Property on 10 October 2009.

In these circumstances, the Company therefore entered into the Termination Agreements with Majestic Wealth and Topsearch Tongliao to unwind the Acquisition by:

- (i) terminating the transfer of the Property to the Group;
- (ii) extinguishing the Group's payment obligation in respect of the remaining balance of the consideration of RMB18,303,502; and
- (iii) repurchasing and canceling the Repurchased Shares by the Company.

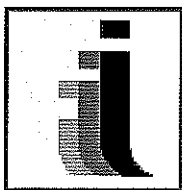
Effects of a Lapse of the Termination Agreements as a result of the Conditions Precedent not being satisfied

In the event that (i) the necessary approval for the off-market share repurchase pursuant to the Termination Agreements is not granted by the Executive (which approval, if granted, will normally be conditional upon, among other things, approval of the proposed repurchase by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a general

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meeting of the Company to be held for such purposes) or (ii) the necessary special resolutions are not passed by the Disinterested Shareholders in the SGM for the approval of the Termination Agreements and the transactions contemplated thereunder, the Termination Agreements will lapse and the respective rights, interests and obligations of the Company and Majestic Wealth under the Main Acquisition Agreement and that of Topsearch Tongliao and Majestic Wealth under the Supplemental Acquisition Agreement will be reinstated or shall be deemed to have been reinstated to the original positions as if no termination as such has ever been effected.

In the event of a lapse of the Termination Agreements, (a) the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement are liable to pay to Majestic Wealth the balance of the consideration in the amount of RMB18,303,502 in relation to the Acquisition (the total consideration for the sale of the Property by Majestic Wealth is RMB71,000,000 and part of which in the amount of RMB52,696,498 was already settled by the issuance and allotment of the Land Consideration Shares at the Issue Price by the Company to Majestic Wealth), and (b) Majestic Wealth is not obligated to offer the Repurchased Shares for the repurchase and cancellation by the Company and Majestic Wealth will continue to be the registered holder of the Repurchased Shares. Majestic Wealth shall also be entitled to enforce its rights and interest or even institute proceedings against the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement to claim and sue for the outstanding balance of RMB18,303,502 in whole or in part should the Termination Agreements lapse as a result of non-approval of the Disinterested Shareholders in the SGM.

Given that the Property was resumed by the PRC government on 10 October 2009 pursuant to the Rules of Idle Land (Land Resources Department of PRC reference no. 5), according to the PRC legal advice to the Company, as at the Latest Practicable Date, the Company and/or Topsearch Tongliao will have to pay at least approximately RMB15,792,291, including but not limited to the idle land fee of RMB2,178,800, urban land-use tax of RMB8,938,681, title deed taxes of RMB2,130,000 and land value-added tax of RMB2,544,810, for the Company to acquire and re-gain the land use right of the Property from the PRC government.

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In the circumstances, the Company considers that it would be in the interest and benefit of the Company and its shareholders as a whole for the passing of the special resolutions by the Disinterested Shareholders in the SGM to approve the entering into of the Termination Agreements by the Company to effect (i) partial termination of the Main Acquisition Agreement in relation to the acquisition of the Property and (ii) termination of the Supplemental Acquisition Agreement, so as to avoid further payment obligations of an aggregate amount of approximately RMB34,095,793 by the Company arising out of (a) the obligations on the part of the Company under the Main Acquisition Agreement and Topsearch Tongliao under the Supplemental Acquisition Agreement to pay the remaining balance of the land consideration in the amount of RMB18,303,502 to Majestic Wealth, and (b) the payment of a further amount of at least approximately RMB15,792,291 by the Company to acquire and re-gain the land use right of the Property from the PRC government for development of the Property, which development is considered by the Company not to be in the interest of the Group in view of the prevailing market and business position.

Financial Effects of Unwinding the Land Acquisition

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

It follows that when the repurchase and cancellation of the Repurchased Shares are completed, the whole amount of such other receivable for HK\$31,756,000 will be charged against the share capital and share premium accounts of the Company where further impairment loss may be recorded dependent upon the actual market price of the underlying shares at the date of effecting the Securities Repurchase.

Subject to the review by the Company's auditors, it is expected that as a result of completion of the Termination Agreements and the transactions contemplated thereunder, including the repurchase and cancellation of the Repurchased Shares, the consolidated net assets per share and the earnings per share would increase and

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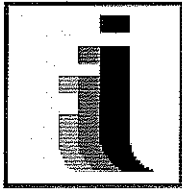
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the working capital of the Group would decrease due to the removal of “other receivable” under the current assets.

The Company does not expect any change to the liabilities of the Group.

The Company is of the view that the said changes in the consolidated net asset per share, the earnings per share and the working capital of the Group would not bring any material adverse change to the Group.

Effects on Shareholding Structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion assuming there is no change in the issued share capital and shareholding structure of the Company between the Latest Practicable Date and the Completion.

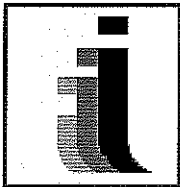
As at the Latest Practicable Date	Immediately after Completion
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	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Controlling shareholder				
Inni International Inc. Mr. Cheok Ho Fung	78,250,000	7.83%	78,250,000	8.63%
Subtotal	510,250,000	51.03%	510,250,000	56.28%
Kingboard Group				
Kingboard Investments	204,024,000	20.40%	204,024,000	22.50%
Kingboard Laminates Limited	202,000	0.02%	202,000	0.02%
Kingboard Chemical Holdings Limited	2,766,000	0.27	2,766,000	0.31%
Subtotal	206,992,000	20.69	206,992,000	22.83%
Public shareholders				
Majestic Wealth	93,400,000	9.34%	—	—
Other Public Shareholders	189,358,000	18.94	189,358,000	20.89%
Subtotal	282,758,000	28.28%	189,358,000	20.89%
Total	1,000,000,000	100.00%	906,600,000	100.00%

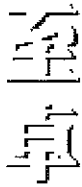
Notes:

- Inni International Inc. is a company incorporated in the Republic of Liberia. The shares of Inni are owned as to 49% by Mr. Cheok Ho Fung and as to 51% jointly by Mr. Cheok Ho Fung and his spouse.
- Kingboard Investments Limited and Kingboard Laminates Limited are wholly-owned subsidiaries of Jamplan (BV I) Limited which in turn is a wholly-owned subsidiary of Kingboard Chemical Holdings Limited.
- As at the Latest Practicable Date, there is no outstanding derivative in respect of securities of the Company entered into by the Company or any person acting in concert with it and there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Company which might

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be material to the Securities Repurchase. There are no agreements or arrangements to which Majestic Wealth or the Company is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition to the Securities Repurchase, and there are no relevant securities in the Company which Majestic Wealth, the Directors or any person acting in concert with any of them has borrowed or lent, save for any borrowed shares which have been either on-lent or sold during the period commencing six months prior to 18 February 2010 up to the Latest Practicable Date.

Source: the records from the Tricor Abacus Ltd. and the Company reflecting the shareholding structure of the Company on the Latest Practicable Date. In the event that the figures in the shareholding structure are different from those as disclosed in the above table, the Company would issue an announcement regarding the difference(s).

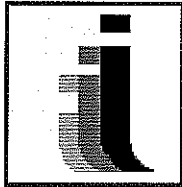
Following Completion, the Repurchased Shares will be cancelled. As a result, the number of Shares in issue following the Securities Repurchase will be reduced from 1,000,000,000 (being the number of Shares currently in issue) to 906,600,000. Majestic Wealth will hold no more Shares or securities of the Company. The percentage shareholdings of all other Shareholders in the Company will be proportionately increased by approximately 10.3%. Based on the SFO Register maintained by the Company as at the date hereof, the Directors are not aware of any person or group of persons acting in concert who, as a result of the Completion, will become obliged to make a general offer for all the issued Shares of the Company following the Completion.

It is envisaged that immediately upon the Completion, the public float of the Company will fall from 28.28% to 20.89% which is below the minimum public float requirement of 25% under Rule 8.08(1) of the Listing Rules. An announcement in relation to the insufficient public float of the Company will be issued upon the Completion. The Company will continue to pay close attention to the level of public float of the Company's shares and will strive to restore the public float of the Company to at least 25% of the total issued share capital of the Company by way of, including but not limited to, placing and issue of new shares of the Company. The aforesaid possible ways for restoration are still in a preliminary and initial stage and not yet finalised. Further announcement(s) will be made on the restoration of the public float as and when appropriate.

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As a result of the insufficient public float of the Company following Completion, trading in the Shares may be suspended by the Stock Exchange if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market. Shareholders and potential investors are advised to exercise caution when dealing the Shares.

IMPLICATIONS OF THE REPURCHASE CODE

The transactions contemplated under the Termination Agreements constitute an off-market share repurchase by the Company under the Repurchase Code. The Company has made an application to the Executive for approval of the Securities Repurchase pursuant to Rule 2 of the Repurchase Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Securities Repurchase by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As approval of the Executive of the Securities Repurchase is a condition of the Termination Agreements, the Company will not proceed to Completion unless the Executive approves the Securities Repurchase pursuant to Rule 2 of the Repurchase Code. However, there is no assurance that such approval will be granted or that all the conditions precedent to the Termination Agreements will be fulfilled (or where applicable, waived).

By reason of the requirements of the Repurchase Code described above, Majestic Wealth, its Associates and parties acting in concert with it who hold 93,400,000 Shares in aggregate (representing approximately 9.34% of the existing issued share capital of the Company) as at the Latest Practicable Date, and those who are interested in the Termination Agreements, will abstain from voting in respect of the resolution to be proposed at the SGM to approve the Termination Agreements and the transactions contemplated thereunder.

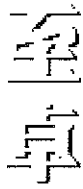
General

The Group is principally engaged in manufacture and sale of a broad range of double-sided and multilayer printed circuit boards. The Company has not

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repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

As disclosed in the annual report of the Group for the year ended 31 December 2009, the Company reckons the major challenges to its financial and trading prospects are from high material prices, general shortage of labour and potential appreciation of RMB in the near future. Although businesses in the second half of 2009 have returned to a much normal situation comparing to the first quarter of 2009, the Group still suffered some losses during the second half of 2009 and does not expect the business to turn around quickly during the first half of 2010.

Majestic Wealth is a company incorporated in Samoa and wholly and beneficially owned by Ms. Ma Li Rong. It is an investment company which invests in various projects in the PRC including, but not limited to, natural resources, energy, securities and manufacturing. Majestic Wealth and parties acting in concert with it have not dealt for value in any of the Shares in the six months preceding the Latest Practicable Date.

To the best knowledge and belief of the Directors who have made all reasonable enquiries, the Directors confirm that Majestic Wealth and its ultimate beneficial owner are independent of the connected persons of the Company, save and except Majestic Wealth holds 93,400,000 Shares.

According to the Bermuda legal advice to the Company, pursuant to the Bermuda Companies Act 1981 and the memorandum of association and bye-laws of the Company, the Company can repurchase its own shares and such repurchase shall be exercisable by the board of directors of the Company. The Company is not required to obtain any Bermuda court's approval to effect any share repurchase pursuant to the Bermuda Companies Act 1981 and the memorandum of association and bye-laws of the Company.

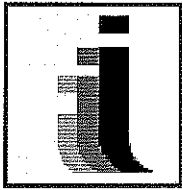
Voting

By reason of the requirements of the Repurchase Code described above, all parties who are interested in the Termination Agreements are required to abstain from voting in respect of the necessary resolution to be proposed at the SGM concerning the Termination Agreements. Majestic Wealth, together with its associates and parties acting in concert with it, holding in aggregate 93,400,000 Shares, as at the Latest Practicable Date, will abstain from voting in respect of the resolutions to be

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proposed at the SGM to approve the Termination Agreements and the transactions contemplated thereunder. To the best of the knowledge of the Directors after having made all enquiries, save for Majestic Wealth, its associates and parties acting in concert with it, there are no other persons who are interested in the Termination Agreements and held any Shares as at the Latest Practicable Date.

THE SGM

The SGM will be held at Room 2402, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 2 August 2010 at 10:00 a.m. to consider and, if thought fit, approve, the necessary special resolutions regarding the Securities Repurchase and the Termination Agreements.

A notice convening the SGM is set out on pages 115 to 116 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment meeting thereof if you so wish.

RECOMMENDATION

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Shareholders regarding the terms of the Termination Agreements is set out on pages 21 to 35 of this circular. A letter from the Independent Board Committee to the Disinterested Shareholders in this regard is set out on pages 19 to 20 of this circular. After taking into account the view of the Independent Financial Adviser that the terms of the Termination Agreements are fair and reasonable so far as the Disinterested Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole, the Independent Board Committee is of the view that the terms of the Termination Agreements are fair and reasonable so far as the Disinterested Shareholders are concerned and that the entering into of the Termination Agreements by the Company is in the interests of the Company and the Shareholders as a whole and recommends the Disinterested Shareholders to

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vote in favour of the special resolutions to be put forward to the Disinterested Shareholders at the SGM to consider and, if thought fit, approve the Termination Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, and the additional information set out in the appendices to this circular.

Yours faithfully,

By order of the Board

Topsearch International (Holdings) Limited

Cheok Ho Fung

Chairman and Chief Executive Officer

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