



# 峻凌國際控股有限公司

## Regent Manner International Holdings Limited

(incorporated in the Cayman Islands with limited liability)



Stock Code: 1997  
Interim Report 2007



## CONTENTS

	<i>Pages</i>
Corporate Information	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7
Notes to Condensed Financial Statements	8
Management Discussion and Analysis	19
Other Information	23

## CORPORATE INFORMATION

### **Chairman and non-executive Director**

Mr. Wu Kai-Yun

### **Executive Directors**

Mr. Wu Kai-Hsiung

Mr. Chen Lung-Hsun, Patrick

Ms. Han Min

### **Independent non-executive Directors**

Dr. Wea Chi-Lin

Dr. Ma Chia-Ying, Michael

Mr. Liang Hsing-Kuo

### **Authorised Representatives**

Mr. Wu Kai-Hsiung

Mr. Chen Lung-Hsun, Patrick

### **Company Secretary and Qualified Accountant**

Ms. Lo Wai Mun, CPA

### **Audit Committee**

Dr. Ma Chia-Ying, Michael (Chairman)

Dr. Wea Chi-Lin

Mr. Liang Hsing-Kuo

### **Compliance Advisers**

Mega Capital (Asia) Company Limited

TSC Capital Limited

### **Auditors**

Ernst & Young

### **Principal Banker**

Standard Chartered Bank  
(Hong Kong) Limited

### **Registered Office**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### **Head Office and Principal Place of Business in Hong Kong**

20th Floor

No. 168 Queen's Road Central  
Hong Kong

### **Share Registrar and Transfer Office**

Tricor Investor Services Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

### **Stock Code**

1997



The board of directors (the "Directors", collectively, the "Board") of Regent Manner International Holdings Limited (the "Company") gladly announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007, together with the comparative figures, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
<b>Revenue</b>	4	<b>184,868</b>	119,945
Cost of sales		<b>(160,244)</b>	(106,698)
<b>Gross profit</b>		<b>24,624</b>	13,247
Other income	4	<b>731</b>	787
Selling and distribution costs		<b>(430)</b>	(286)
Administrative expenses		<b>(3,746)</b>	(3,540)
Other expenses		<b>(485)</b>	(236)
Finance costs	5	<b>(1,229)</b>	(718)
<b>Profit before income tax</b>	6	<b>19,465</b>	9,254
Income tax	7	<b>(1,929)</b>	(413)
<b>Profit for the period</b>		<b>17,536</b>	8,841
<b>Dividends</b>	8	–	–
<b>Earnings per share – Basic</b>	9	<b>USD0.0234</b>	USD0.0118

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2007

	Notes	30 June 2007 USD'000 (Unaudited)	31 December 2006 USD'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	62,287	54,287
Leasehold land prepayments		3,755	3,844
Deferred tax assets		47	47
Total non-current assets		66,089	58,178
<b>Current assets</b>			
Cash and bank balances	11	16,773	16,615
Trade receivables	12	114,329	87,235
Prepayments, deposits and other receivables		11,014	8,942
Inventories	13	22,051	21,963
Tax recoverable		1,124	1,099
Due from a related company	14	–	68
Due from the ultimate holding company	14	–	1,171
Total current assets		165,291	137,093
<b>Current liabilities</b>			
Interest-bearing bank and other borrowings	15	3,050	7,293
Trade payables	16	117,320	89,455
Accruals and other payables		6,091	5,301
Finance lease payables		646	608
Tax payable		2,278	1,052
Due to a related company	14	–	6,744
Due to the ultimate holding company	14	3,268	2,969
Total current liabilities		132,653	113,422
Net current assets		32,638	23,671
<b>Total assets less current liabilities</b>		<b>98,727</b>	<b>81,849</b>



	<i>Notes</i>	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
<b>Non-current liabilities</b>			
Finance lease payables		<b>1,308</b>	1,605
Interest-bearing bank and other borrowings	<i>15</i>	<b>72</b>	440
Total non-current liabilities		<b>1,380</b>	2,045
Net assets		<b>97,347</b>	79,804
<b>Equity</b>			
Issued capital	<i>17</i>	–	39,363
Reserves		<b>97,347</b>	40,441
Total equity		<b>97,347</b>	79,804

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
<b>Issued capital</b>	17		
At beginning of period		39,363	13,469
Increase in share capital		–	9,270
Merger reserve arising on reorganization		(39,363)	–
At end of period		–	22,739
<b>Statutory reserve fund</b>			
At beginning/end of period		3,372	1,391
<b>Share-based payment reserve</b>	18		
At beginning of period		828	121
Equity-settled share-based arrangements		7	15
At end of period		835	136
<b>Other reserve</b>			
At beginning of period		–	–
Merger reserve arising on reorganization		39,363	–
At end of period		39,363	–
<b>Retained profits</b>			
At beginning of period		36,241	14,418
Profit for the period		17,536	8,841
At end of period		53,777	23,259
<b>Reserves</b>		<b>97,347</b>	24,786
<b>Total equity at 30 June</b>		<b>97,347</b>	47,525



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
Net cash inflow/(outflow) from operating activities		<b>15,988</b>	5,032
Net cash inflow/(outflow) from investing activities		<b>(9,833)</b>	(7,536)
Net cash inflow/(outflow) from financing activities		<b>(5,961)</b>	3,101
Net increase in cash and cash equivalents		<b>194</b>	597
Cash and cash equivalents at beginning of period		<b>13,053</b>	4,940
Cash and cash equivalents at end of period		<b>13,247</b>	5,537
Analysis of balances of cash and cash equivalents at end of period			
Cash on hand	11	<b>77</b>	34
Cash at banks, unrestricted	11	<b>13,170</b>	5,503
		<b>13,247</b>	5,537



## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 August 2006.

Pursuant to a group reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 February 2007, the Company acquired the entire issued share capital of Regent Manner (BVI) Limited ("Regent BVI"), through shares exchange with the shareholders of Regent BVI. Prior to that, on 2 January 2007, Regent BVI acquired the entire issued share capital of Regent Manner Limited ("Regent HK"), through shares exchange with the shareholders of Regent HK. Consequently, the Company became the intermediate holding company and Regent BVI became the immediate holding company of its subsidiaries now comprising the Group. Further details of the Group Reorganization were set out in the prospectus (the "Prospectus") issued by the Company dated 26 June 2007. The Company's shares have been listed on the Stock Exchange since 10 July 2007.

The Directors consider Taiwan Surface Mounting Technology Corp. ("TSMT Taiwan"), a company incorporated in Taiwan and listed on the GreTai Securities Market, an over-the-counter securities market in Taiwan, as the ultimate holding company.

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



## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the underlying financial statements of the companies comprising the Group which were used for the preparation of the accountants' report for the three years ended 31 December 2006 as published in Appendix I to the Prospectus.

The Group has not applied the following new and revised HKFRSs relevant to the condensed consolidated financial statements, that have been issued but are not yet effective.

HKFRS 8	Operating Segments
HK (IFRIC) – Int 11	Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HKAS 23 (revised)	Borrowing costs

HKFRS 8 replacing HKAS 14 "Segmental Reporting" and will become effective for accounting periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Company, the products and services provided by the segments, the geographical areas which the Company operates, and revenues from the Company's major customers.

HK (IFRIC) – Int 11, HK (IFRIC) – Int 12 and HKAS 23 (revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

## 3. SEGMENTAL INFORMATION

The Group's revenue and profit for the six months ended 30 June 2007 were mainly derived from the manufacture and trading of electronic products. The products of the Group are subject to similar risks and returns, therefore, the Group has only one business segment.

The Group's revenue is substantially derived from its customers in the People's Republic of China (the "PRC") and the Group's operating assets are substantially located in the PRC.

Accordingly, no segmental analysis by business and geographical segments is provided.

#### 4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	177,310	113,528
Sub-contracting income	7,558	6,417
	<b>184,868</b>	<b>119,945</b>
<b>Other income</b>		
Interest income	122	15
Exchange gain	394	619
Sale of scraps	123	75
Others	92	78
	<b>731</b>	<b>787</b>
Total revenue and other income	<b>185,599</b>	<b>120,732</b>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
Interest on bank and other borrowings	1,091	583
Bank charges	138	135
	<b>1,229</b>	<b>718</b>



## 6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging the following items:

	For the six months ended 30 June	
	2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
Employee benefits expense:		
Wages and salaries	5,947	3,906
Equity-settled share-based payment expenses – Share option scheme of TSMT Taiwan	7	15
Pension scheme contributions	569	365
	<b>6,523</b>	4,286
Depreciation of items of property, plant and equipment	3,082	2,571
Amortization of leasehold land prepayments	125	3
Loss on disposal of items of property, plant and equipment	389	3
Minimum lease payments under operating leases in respect of buildings	318	206
Research and development costs	978	462
Reversal of provision for stock obsolescence	(45)	–

## 7. INCOME TAX

The major components of income tax expenses are as follows:

	For the six months ended 30 June	
	2007 USD'000 (Unaudited)	2006 USD'000 (Unaudited)
Hong Kong Profit Tax		
Current period	571	–
Income tax in other regions of the PRC		
Current period	1,358	413
	<b>1,929</b>	413

In accordance with Departmental Interpretation and Practice Note 21 (Revised) paragraph 16 published by the Inland Revenue Department of Hong Kong, being a Hong Kong manufacturing business involved in the manufacturing activities in the PRC (in particular in the supply of raw material, training and supervision of the local labor) the Department is prepared to concede, in cases of this nature, that the profits on the sale of the goods in question can be apportioned and the apportionment will generally be on a 50:50 basis. As a result, a Hong Kong profit tax has been provided at 8.75% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2007 (six months ended 30 June 2006: Nil).

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to the state corporate income tax at a rate of 24% and the local corporate income tax at a rate of 3%.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries in the PRC are entitled to exemption from the PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from the PRC enterprise income tax for the following three years.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary in the PRC is still in the tax loss position and not subject to the corporate income tax during the period. During the period ended 30 June 2007, certain subsidiaries in the PRC had no taxable income as the companies have not commenced their manufacturing and trading activities.

## **8. DIVIDENDS**

The Directors have resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

## **9. EARNINGS PER SHARE**

The calculation of basic earnings per share for the periods ended 30 June 2007 and 30 June 2006 are based on the net profit for each period on the assumption that 750,000,000 shares in issue immediately prior to the issue of the Company's shares to the public (see note 21) had been in issue throughout the periods.

Diluted earnings per share amounts for the periods ended 30 June 2007 and 30 June 2006 equal to that of basic earnings per share as no diluting events existed during the periods.



## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, additions of property, plant and equipment amounted to USD10,353,000 (six months ended 30 June 2006: USD16,241,000). Items of property, plant and equipment with net book value totaling USD391,000 were disposed of during the period (six months ended 30 June 2006: USD3,134,000), resulting in a loss on disposal of USD389,000 (six months ended 30 June 2006: USD3,000).

As at 30 June 2007, the net book value of the Group's plant and machinery held under finance leases amounted to USD2,896,000 (31 December 2006: USD2,985,000).

As at 30 June 2007, property, plant and equipment with net book value of approximately USD4,743,000 (31 December 2006: USD5,109,000) have been pledged to secure the Group's bank loans and a bank loan facility (note 15).

## 11. CASH AND BANK BALANCES

	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
Cash on hand	<b>77</b>	87
Cash at banks, unrestricted	<b>13,170</b>	12,966
Time deposits with initial term of more than three months	<b>2,508</b>	2,561
Pledged bank balances	<b>1,018</b>	1,001
	<b>16,773</b>	16,615

As at 30 June 2007, cash at banks of approximately USD1,018,000 (31 December 2006: USD1,001,000) were pledged to relevant PRC custom authorities as trade processing deposits.

The weighted average effective interest rate on term deposits with initial term of more than three months and pledged bank balances were 3% per annum (31 December 2006: below 3% per annum) and 1.62% per annum (31 December 2006: 1.62% per annum), respectively.

## 12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit terms granted to customers range from 60 days to 120 days.

The ages of trade receivables are analyzed as follows:

	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
Outstanding balances with ages:		
Within 90 days	<b>102,576</b>	79,018
Between 91 days to 180 days	<b>11,681</b>	8,154
Between 181 days to 365 days	<b>72</b>	63
	<b>114,329</b>	87,235

As at 30 June 2007, trade receivables are unsecured.

## 13. INVENTORIES

	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
Raw material	<b>15,942</b>	15,907
Work-in-progress	<b>2,179</b>	–
Finished goods	<b>3,930</b>	6,056
	<b>22,051</b>	21,963

## 14. DUE FROM/(TO) THE RELATED COMPANY AND ULTIMATE HOLDING COMPANY

The amount due from/(to) the related company and ultimate holding company are unsecured, interest-free and have no fixed terms of repayments.



## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
Bank loans:			
Secured	(i)	<b>200</b>	1,392
Unsecured	(ii)	<b>722</b>	1,290
		<b>922</b>	2,682
Other borrowings:			
Unsecured	(ii)	<b>2,200</b>	5,051
		<b>3,122</b>	7,733
Repayable:			
Within one year		<b>3,050</b>	7,293
In the second year		<b>72</b>	440
		<b>3,122</b>	7,733
Portion classified as current liabilities		<b>(3,050)</b>	(7,293)
Long-term portion		<b>72</b>	440

### Notes:

- (i) As at 30 June 2007, bank loans of the Group of USD200,000 (31 December 2006: USD1,392,000) with interest rate of 5.96% per annum (31 December 2006: 5.58% per annum) were secured by property, plant and equipment with a net book value of USD4,743,000 (31 December 2006: USD5,109,000) (note 10).
- (ii) As at 30 June 2007, the unsecured bank loans and other borrowings born interest rate in the range of 5.37%-6.12% per annum (31 December 2006: 4.50%-5.93% per annum).



## 16. TRADE PAYABLES

General credit terms granted by suppliers range from 30 days to 120 days.

The ages of trade payables are analyzed as follows:

	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
Outstanding balances with ages:		
Within 90 days	<b>89,859</b>	58,695
Between 91 days to 180 days	<b>27,447</b>	30,745
Between 181 days to 365 days	<b>14</b>	6
Between 1 year to 2 years	<b>–</b>	9
	<b>117,320</b>	89,455

## 17. ISSUED CAPITAL

Details of the Company's share capital as at 30 June 2007 are as follows:

	<i>USD'000</i>
Authorized – 5,000,000,000 shares of HKD0.01 each	6,410*
Issued – 30,556 shares of HK0.01 each	–

As at 31 December 2006, the Reorganization was not completed. The issued capital of the Group as at that date represented the issued share capital of Regent HK.

\* Amounts denominated in HKD have been translated into USD at USD1.00: HKD7.80.



## 18. SHARE-BASED PAYMENTS

The Group received a share option scheme from its ultimate holding company, TSMT Taiwan, for the purpose of providing incentive and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the scheme include the Company's directors and certain non-PRC employees of the Group. The scheme became effective on 26 December 2003 and, unless otherwise cancelled or amended, will remain in force for five years from that date.

The maximum number of shares exercisable under share options to each eligible participant in the scheme within any 12-month period is limited to 1% of the shares of TSMT Taiwan in issue at any time. Any further grant of share options in excess of this limit is subject to the approval of TSMT Taiwan's shareholders.

Share option granted to directors of the Company and certain non-PRC employees of the Group are subject to approval in advance by the board of directors of TSMT Taiwan.

The exercise period of the share options granted is determined by the directors of TSMT Taiwan, and commences after a certain vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the scheme, if earlier.

The exercise price of the share options is determinable by the directors of TSMT Taiwan, but may not be less than the closing price of TSMT Taiwan's share on the date of offer of the share offers.

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meeting of TSMT Taiwan.

The following table summarized the inputs to the model used for the estimated of fair value of the share options:

Dividend yield (%)	2.30
Expected volatility (%)	45.19
Historical volatility (%)	45.19
Risk-free interest rate (%)	2.05
Expected life of option (year)	5
Weighted average share price (USD)	0.49

For the six months ended 30 June 2007, the Group recorded share-based payment expenses in relation to share options of TSMT Taiwan granted to employees (including certain directors of the Company) of the Group of approximately USD7,000 (six months ended 30 June 2006: USD15,000).

## 19. COMMITMENTS

	<b>30 June 2007 USD'000 (Unaudited)</b>	31 December 2006 USD'000 (Audited)
Contracted, but not provided for:		
Purchases of plant and machinery	<b>1,850</b>	81
Construction of buildings	<b>1,525</b>	2,055
Capital injection to certain PRC subsidiaries	<b>26,000</b>	24,000

## 20. RELATED PARTY TRANSACTIONS

	<b>For the six months ended 30 June</b>	
	<b>2007 USD'000 (Unaudited)</b>	2006 USD'000 (Unaudited)
Purchases of raw materials from <i>(note (i))</i> :		
TSMT Taiwan	<b>1,444</b>	3,125
Purchases of goods from <i>(note (i))</i> :		
TSMT Taiwan	<b>4,214</b>	–

Note:

- (i) The Directors consider that purchase prices of raw materials and goods are determined according to terms mutually agreed by both parties after taking into account the prevailing market prices.

## 21. POST BALANCE SHEET EVENTS

- (i) Pursuant to a meeting of the Board held on 16 July 2007, the Board approved to inject share capital in Regent Electron (Ningbo) Co., Ltd. and Regent Electron (Foshan) Co., Ltd. through Regent BVI and Regent HK which amounted to USD2,600,000 and USD1,500,000, respectively.
- (ii) The Company's shares have been listed on the Stock Exchange since 10 July 2007. The net proceeds from listing was approximately USD52,000,000 and fully received on 12 July 2007.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is principally engaged in the provision of integrated production solutions deploying surface-mount technology (“SMT”) for manufacturers of thin-film transistor liquid crystal display (“TFT-LCD”) panels and various electronic products, with an aim to become a specialized provider of electronic manufacturing services (“EMS”). At present, the Group’s scope of services includes materials procurement and management, process engineering design, SMT processing, quality assurance, logistics management and after-sales services.

The Company’s shares were listed on the Main Board of the Stock Exchange on 10 July 2007. Based on the offer price of HK\$1.68 per share, the Group raised net proceeds of approximately US\$52 million from its share offer.

### Prospects

The Group strives to become a leading EMS provider in the global TFT-LCD panel industry. In this regard, the Group intends to strengthen its relationships with leading TFT-LCD panel makers by continuously adopting co-location strategy. The Group will also expand its production capacity to cater for increasing demand from customers and to continuously invest in advanced production facilities to enhance production efficiency and quality. Furthermore, the Group will maintain its focus on market leaders of TFT-LCD panel industry, and will enlarge its clientele by establishing relationship with other large-scale panel makers. The Group also strives to improve its profitability by engaging in other high-end electronic products.

Looking forward to the second half of 2007, the Group aims to expand its business by (1) installing at least 20 additional SMT production lines mainly in Suzhou, Ningbo, Xiamen and Dongguan to cater for growing demand and further strengthen customer relationship; (2) launching new products such as LED light bar to meet new application demand in the TFT-LCD panel industry; and (3) planning to set up production premises in the northern part of the PRC. Committed to providing high quality one-stop production solutions, the Group’s management is confident that its existing strategies will not only propel the Group’s business growth, but also enhance its overall profitability.

Moving forward, the TFT-LCD industry is expected to show healthy growth driven by growing market demand for LCD TV, the Group will capture this business opportunity by working closely with major customers to strive for promising operating results and enhance shareholders' value. With the positive momentum continuing since the beginning of the year, the Group's management is confident that its business will continue to grow in the foreseeable future and generate good returns to the Company's shareholders.

## Business and Financial Review

### *Turnover*

For the six months ended 30 June 2007, the Group recorded an unaudited consolidated turnover of approximately US\$184.9 million, representing an increase of approximately 54.1% as compared to approximately US\$120.0 million for the corresponding period last year. Increase in revenue during this period was primarily contributed from the Group's key customers including AU Optronics Corp., Innolux Display Corporation and Chi Mei Optoelectronics Ltd. as well as the growing demand in the global TFT-LCD industry compared with the downturn period last second quarter. The Group was able to cater for such increase in demand from its major customers due to the increase in number of SMT production lines from 66 as at 30 June 2006 to 78 as at 30 June 2007.

### *Gross Profit*

As a result of the continuous capacity expansion to strengthen economies of scale and achieve higher utilization as well as to excel in supply chain management, the Group's gross margin improved to approximately 13.3% from approximately 11.0% and the gross profit advanced by approximately 85.9% to approximately US\$24.6 million compared with the previous year.

### *Net Profit*

Due mainly to (1) higher turnover and improved margin, and (2) better cost management of administrative expenses, the net profit for the period under review increased by approximately 98.3% to approximately US\$17.5 million, as compared to approximately US\$8.8 million recorded in the same period of last year. Net profit margin improved to approximately 9.5% from approximately 7.4% for the same period last year.



### *Liquidity and Financial Resources*

As at 30 June 2007, the Group's net current assets of approximately US\$32.6 million (31 December 2006: approximately US\$23.7 million) consisted of current assets of approximately US\$165.3 million (31 December 2006: approximately US\$137.1 million) and current liabilities of approximately US\$132.7 million (31 December 2006: approximately US\$113.4 million).

The current ratio, defined as current assets over current liabilities, remained stable at approximately 1.2 times as at 30 June 2006 and 30 June 2007, respectively. The gearing ratio, defined as total debt divided by total assets, decreased from approximately 5.1% as at 30 June 2006 to approximately 2.2% as at 30 June 2007.

The Group's borrowings and cash and cash equivalents are mainly denominated in US dollars. As at 30 June 2007, the cash and bank balances including pledged bank deposits amounted to approximately US\$16.8 million (31 December 2006: approximately US\$16.6 million). After the share offer on 10 July 2007, the Group recorded a cash inflow from the share offer of approximately US\$52 million and the Board is in the opinion that the Group will be in a strong and healthy financial position and has sufficient resources in support of its working capital requirement and meet its foreseeable capital expenditure.

### *Treasury Policy and Exchange Risk Exposure*

The Group has centralized funding for all of its operations at the Group level where foreign exchange exposure is reviewed and monitored. This policy also enables better control of treasury operations and lower average cost of funds.

The Group's sales and procurements were mainly transacted in US dollars. The Group does not foresee significant risk in exchange rate fluctuation and no financial instruments have been used for hedging purposes. It is the policy of the Group not to engage in speculative activities.

### *Working Capital*

The trade receivables as at 30 June 2007 was approximately US\$114.3 million, representing an increase of approximately 31.1% as compared to approximately US\$87.2 million as at 31 December 2006. The increase was a reflection of turnover growth for the period under review. The turnover days for the trade receivables decreased from approximately 99 days for the year ended 31 December 2006 to approximately 98 days for the six months ended 30 June 2007.

Due to better supply chain management, the inventories slightly increased to approximately US\$22.1 million from approximately US\$22.0 million and the inventories turnover days declined to approximately 25 days compared to approximately 28 days as at 31 December 2006.

The trade payables increased by approximately 31.1% to approximately US\$117.3 million from approximately US\$89.5 million and turnover days increased to approximately 119 days from 100 approximately days as at 31 December 2006 due mainly to the extension of credit period granted by suppliers as a result of improved bargaining power of the Group.

The control of liquidity improved and overall cash conversion cycle was shortened.

### *Capital Expenditure*

The Group invested approximately US\$10.0 million during the six months ended 30 June 2007 in capital expenditure for the construction of factory premises, purchase and installation of plant machinery, equipment and other tangible assets, as compared to approximately US\$13.8 million in the same period of last year. These capital expenditures were fully financed by internal resources of the Group and bank borrowings.

### *Capital Commitments and Contingent Liabilities*

Up to 30 June 2007, the future capital commitments for which the Group had contracted but not provided for amounted to approximately US\$29.4 million which will all be paid off using the proceeds from the share offer on 10 July 2007 and cash generated from the Group's operations within 3 years. Save for the above, the Group had no significant contingent liabilities.



### *Pledge of Assets*

As at 30 June 2007, cash at banks of approximately US\$1.0 million (31 December 2006: US\$1.0 million) was pledged to relevant PRC custom authorities as trade processing deposits. The bank loans of the Group of US\$0.2 million (31 December 2006: US\$1.4 million) were secured by property, plant and equipment with a net book value of US\$4.7 million (31 December 2006: US\$5.1 million).

## **OTHER INFORMATION**

### **Human Resources**

As at 30 June 2007, the Group had a total of approximately 4,874 employees. Remuneration packages of the Group are maintained at a competitive level to attract, retain and motivate employees and are reviewed on a periodic basis. The Group strives to maintain good relationships with its employees and is committed to providing employee training and development on a regular basis to maintain the quality of its products and services.

### **Corporate Governance Practices**

The Group is committed to ensure high standards of corporate governance in the interest of its shareholders. The Directors confirm, to the best of their knowledge, the Group has complied with the code provisions set out in the Code of Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the listing of the Company's shares on the Main Board of the Stock Exchange on 10 July 2007.

### **Securities Transactions by Directors**

The Company has adopted the code of conduct regarding securities transactions by the Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. All Directors confirmed that they have complied with the required standard set out in the Model Code since the listing of the Company's shares on the Main Board of the Stock Exchange on 10 July 2007.



## Remuneration Committee

The Group set up its remuneration committee on 2 March 2007 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code. The functions of the Group's remuneration committee include, but not limited to, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group. Currently, the Group's remuneration committee comprises all of the three independent non-executive Directors, namely, Mr. Liang Hsing-Kuo (chairman of the remuneration committee), Dr. Wea Chi-Lin and Dr. Ma Chia-Ying, Michael.

## Audit Committee

The Company established an audit committee (the "Audit Committee") on 2 March 2007 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code. The Audit Committee will meet at least four times each year with the purpose of monitoring the effectiveness of the Group's financial reporting process, internal control and risk management systems. The Audit Committee comprises all of the three independent non-executive Directors, namely, Dr. Ma Chia-Ying, Michael (chairman of the Audit Committee), Dr. Wea Chi-Lin and Mr. Liang Hsing-Kuo. The Audit Committee has reviewed the unaudited consolidated interim results for the six months ended 30 June 2007.

## Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2007.



## Disclosure of Interests

### *Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations*

As at 10 July 2007, the interests and short positions of the Directors and chief executive of the Company in the share, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or 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 were as follows:

(i) Interests in shares

<b>Name of Director</b>	<b>Company/name of associated corporation</b>	<b>Nature of interest</b>	<b>Number and class of securities</b>	<b>Approximate percentage of shareholding</b>
Wu Kai-Yun	the Company	Personal	3,436,314 Shares	0.34%
Wu Kai-Hsiung	the Company	Personal	1,963,608 Shares	0.20%
Chen Lung-Hsun, Patrick	the Company	Personal	1,595,431 Shares	0.16%
Wu Kai-Yun	TSMT Taiwan	Personal	5,620,674 ordinary shares	4.76%
Wu Kai-Yun	TSMT Taiwan	Family (Note 1)	3,845,817 ordinary shares	3.26%
Wu Kai-Hsiung	TSMT Taiwan	Personal	1,151,864 ordinary shares	0.98%

Name of Director	Company/name of associated corporation	Nature of interest	Number and class of securities	Approximate percentage of shareholding
Wu Kai-Yun	Taiwan Surface Mounting Technology (B.V.I.) Co., Limited ("TSMT BVI"), Taiwan Surface Mounting Technology Co., Limited ("TSMT HK") and Taiwan Surface Mounting Technology (U.S.A.) Co., Ltd. ("TSMT USA")	Personal	See note 2	See note 2
Wu Kai-Yun	TSMT BVI, TSMT HK and TSMT USA	Family (Note 1)	See notes 1 & 2	See notes 1 & 2
Wu Kai-Hsiung	TSMT BVI, TSMT HK and TSMT USA	Personal	See note 2	See note 2

Notes:

1. The relevant shares were held by Wang Ying-Nien, the wife of Wu Kai-Yun.
2. TSMT Taiwan is the holding company of TSMT BVI, TSMT HK and TSMT USA and the relevant Directors are deemed to be interested in these associated corporations by virtue of their interests in TSMT Taiwan.

(ii) Interests in underlying shares

Name of Director	Company/ name of associated corporation	Capacity	Number of underlying shares
Wu Kai-Yun	TSMT Taiwan	Personal	150,000 underlying shares
Wu Kai-Hsiung	TSMT Taiwan	Personal	125,000 underlying shares



Save as disclosed above, as at 10 July 2007, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions of the SFO), or 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.

### *Substantial Shareholders' Interests in Shares*

So far as is known to any Director, as at 10 July 2007, shareholders (other than the Directors or the chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### Interests in shares

<b>Name</b>	<b>Nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of interest in the Company</b>
TSMT BVI	Beneficial owner	734,831,130	73.48%
TSMT Taiwan	Interest of a controlled corporation	734,831,130	73.48%

*Note:* TSMT BVI is a direct wholly-owned subsidiary of TSMT Taiwan and, therefore, TSMT Taiwan is deemed or taken to be interested in the Company's shares which are beneficially owned by TSMT BVI for the purpose of the SFO. TSMT Taiwan is a company listed on the GreTai Securities Market in Taiwan.

Save as disclosed above and so far as is known to any Directors, as at 10 July 2007, there were no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

## Share Option Scheme

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on 19 June 2007 which became unconditional on 10 July 2007. The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons for their contribution to the Group and/ or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group. Eligible persons of the Share Option Scheme include, but not limited to, any employees, directors, suppliers, customers, consultants or advisers of the Group.

As at 30 June 2007, no option has been granted or agreed to be granted to any person under the Share Option Scheme.

## Purchase, Redemption or Sale of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed shares during the six months ended 30 June 2007 as the Company has not been listed on the Main Board of the Stock Exchange during such period.

## Appreciation

The Board would like to extend its sincere appreciation to all of the Group’s management and staff members for their diligence and dedication, as well as the continuous support of the Group’s business partners and the Company’s shareholders.

By order of the Board  
**Regent Manner International Holdings Limited**  
**Mr. Wu Kai-Yun**  
*Chairman*

Hong Kong, 6 August 2007