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峻凌國際控股有限公司

Regent Manner International Holdings Limited

(Incorporated in the Caymen Islands with limited liability)

Stock Code: 1997

Annual Report 2007

Contents

Corporate Information

Board of Directors

Executive Directors

Wu Kai-Hsiung
Han Min
Tseng Yu-Ling

Non-executive Directors

Wu Kai-Yun *(Chairman)*

Independent non-executive Directors

Kwok Kwan Hung *FCPA (Practising), FCCA, B.S.C. (Hons), FHKIoD*
Wang Mie-Nan
Lin Yen-Yu

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

Company secretary and qualified accountant

Chan Lai Yi, Karen *FCPA, FCCA*

Authorized representatives

Wu Kai-Hsiung
Chan Lai Yi, Karen *FCPA, FCCA*

Members of audit committee

Kwok Kwan Hung *(Chairman)*
Wang Mie-Nan
Lin Yen-Yu

Members of remuneration committee

Wang Mie-Nan *(Chairman)*
Lin Yen-Yu
Kwok Kwan Hung

Members of nomination committee

Lin Yen-Yu *(Chairman)*
Kwok Kwan Hung
Wang Mie-Nan

Compliance advisers

Mega Capital (Asia) Company Limited
TSC Capital Limited

Legal adviser

Michael Li & Co.

Auditor

Ernst & Young
Certified Public Accountants

Principal bankers

Standard Chartered Bank (Hong Kong) Limited
13th Floor
Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Website

http://www.rmih.com

Chairman's Statement

I am pleased to report to all shareholders that the revenue and profit attributable to equity holders of Regent Manner International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year amounted to approximately US$431,500,000 and US$40,300,000 respectively, representing an increase of approximately 57% and 69% compared to 2006.

The board of directors (the "Board") of the Company recommended a final dividend of HK$0.07 per share for the year ended 31 December 2007, amounting to HK$70.0 million (equivalent to approximately US$9.0 million).

Including the interim dividend of HK$0.07 per share paid to shareholders on 23 November 2007, the total dividend paid to shareholders in respect of the year ended 31 December 2007 will be HK$0.14 per share, bringing a dividend payout ratio of approximately 45%.

After the successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2007, the Group has entered into a new era.

Since then, the Group expanded its production facilities to further enhance its production capacity, production efficiency, product quality as well as market competitiveness, building a solid foundation for the Group in the industry of the thin film transistor liquid crystal display ("TFT-LCD") panels applicable to the lighting and electrical products.

During the previous year, the Group has continued to maintain sound business relationship with customers, including AU Optronics Corp. and Chi Mei Optoelectronics Corporation. By adopting a co-location strategy, the Group can provide customers with the best and the most efficient services as well as high-quality products to cater for the growing demand. Such strategy enables the Group to explore and capture new business opportunities, and thus drive further business opportunities. We are deeply proud to be able to maintain such sound business relationship with the above customers.

The Group will continue to make investment in advanced production facilities, and enhance the production efficiency and technical capability. Moreover, the Group will streamline its internal logistics operation procedure in order to increase its overall competitiveness and expand income sources, and improve the rate of return of our shareholders' investment.

The Group will strive to improve the production process. Meanwhile, it will continue to develop and manufacture different kind of products, so as to strengthen its production capability and quality of products, and further explore new markets and opportunities to accelerate the growth of the Group.

I am confident of the Group's future business development and endeavours to pursue better results for the benefits of shareholders. We believe that, with a team of experienced staff, the Group can maintain its leading position in the industry and continue to pursue outstanding performance.

Appreciation

On behalf of the Board, I would like to extend sincere gratitude to the continuous support of shareholders, customers and suppliers of the Group, as well as the dedication and contribution of all the management and staff members during the previous year.

Wu Kai-Yun
Chairman

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 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 include 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.

Business and financial review

Revenue

For the year ended 31 December 2007, the Group recorded a revenue of approximately US$431.5 million (2006: approximately US$274.1 million), representing a growth of 57.4% over the previous year. Increase in revenue during this year was attributed to the increased orders by the Group's key customers including AU Optronics Corp. and Chi Mei Optoelectronics Corporation as a result of the steady growth in the global TFT-LCD industry. 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 76 as at 31 December 2006 to 99 as at 31 December 2007.

Gross profit

As a result of the continuous expansion of production capacity, economies of scale and the enhancement of supply chain management, the Group's gross profit margin improved from approximately 12.58% last year to approximately 12.84% this year. The gross profit increased by approximately 60.7% to approximately US$55.4 million in 2007 as compared with the previous year.

Net profit

Net profit for 2007 increased by approximately 69% to approximately US$40.3 million (2006: approximately US$23.8 million). It was due mainly to (1) higher revenue and improved gross margin; and (2) better cost management of administrative expenses.

Liquidity and financial resources

As at 31 December 2007, the Group's net current assets was approximately US$72.1 million (2006: approximately US$23.7 million) which consisted of current assets amounting to approximately US$253.4 million (2006: approximately US$137.1 million) and current liabilities amounting to approximately US$181.3 million (2006: approximately US$113.4 million). The current ratio, defined as current assets over current liabilities, improved from 1.2 times as at 31 December 2006 to 1.4 times as at 31 December 2007.

As at 31 December 2007, the unsecured bank loan repayable within one year was approximately US$12.9 million (2006: approximately US$1.3 million). As at 31 December 2007, the Group has no secured bank loan, no other borrowings and no bank loan repayable beyond one year (2006: approximately US$1.4 million, US$5.1 million and US$0.4 million, respectively).

Management Discussion and Analysis

The gearing ratio, defined as total borrowings (other than payables in ordinary course of business) over total equity, as at 31 December 2007 was 19%, well improved from 32% as at 31 December 2006.

As at 31 December 2007, the cash and bank balances (including pledged bank deposits) amounted to approximately US$54 million (2006: approximately US$16.6 million). During the year, the Group recorded a net cash inflow from the placing and the public offer of the Company's shares on 10 July 2007 (the "Share Offer") of approximately US$51.3 million.

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 centralizes funding for all of its operations at the Group level where foreign exchange exposure is reviewed and monitored. This policy allows the Group to better control its treasury operations and lower average cost of capital.

As the Group's sales and procurements were mainly transacted in US dollars, the Group does not foresee significant exposure to exchange rate risk and no financial instruments are used for hedging such risk.

Capital expenditure

The Group invested approximately US$39.5 million during the year ended 31 December 2007 in construction of factory premises, purchase and installation of plant machinery, equipment and other tangible assets, as compared to approximately US$28.1 million over the previous year. These capital expenditures were fully financed by the proceeds from the Share Offer, internal resources of the Group and bank borrowings.

Capital commitments and contingent liabilities

As at 31 December 2007, the future capital commitments for which the Group had contracted but not provided for amounted to approximately US$25.1 million which will all be paid off using the proceeds from the Share Offer and cash generated from the Group's operations. Save for the above, the Group had no significant contingent liabilities.

Pledge of assets

As at 31 December 2007, cash at bank amounted to approximately US$0.72 million (2006: US$1.0 million) was pledged to relevant PRC custom authorities as trade processing deposits.

Human resources and remuneration policies

The Group offers competitive remuneration package to its employees in Hong Kong and in the PRC, including quality staff quarter, training and development opportunities, medical benefits, insurance coverage and retirement benefits in order to attract, retain and motivate employees. As at 31 December 2007, the Group has 6,576 employees (2006: 4,067). The total salaries and related costs for the year ended 31 December 2007 amounted to approximately US$15.4 million (2006: US$10.5 million).

Management Discussion and Analysis

The Group also has a share reward programme and a share option scheme from its ultimate holding company Taiwan Surface Mounting Technology Corp. ("TSMT Taiwan"). The objectives of the share reward programme and the share option scheme are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Use of proceeds of Share Offer

The net proceeds from the Share Offer received by the Company was approximately HK$401 million.

The planned usage of net proceeds was as follows:

	Usage as disclosed in prospectus HK$'million	Utilised HK$'million
Construction of production facilities	74.0	62.8
Purchase and installation of production lines	327.0	98.0
	401.0	160.8

The remaining proceeds have been deposited on short-term basis in licensed financial institutions in Hong Kong.

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 product 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.

The Group has expanded its business in 2007 by (1) installing 23 additional SMT production lines mainly in Suzhou, Ningbo, Xiamen and Dongguan to cater for the growing demand and to further strengthen customer relationship; (2) launching new products such as light-emitting diode light bar to meet new application demand in the TFT-LCD panel industry; and (3) setting up production premises in Langfang, the northern part of the PRC.

Moving forward, the TFT-LCD industry is expected to exhibit steady growth driven by growing market demand for LCD TV, the Group will capture this business opportunity by working closely with its 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.

Directors' Profile

Directors

Chairman and non-executive Director

Wu Kai-Yun (伍開雲), aged 48, is the chairman of the Company and a non-executive Director. Mr. Wu is involved in the formulation of business strategies and corporate directions for the Group. Prior to founding TSMT Taiwan in 1990, Mr. Wu has worked in Sampo Corporation (聲寶股份有限公司), whose principal activities are the manufacturing and sales of electrical home appliances, as an engineer since June 1982. He also worked in MiTAC International Corporation (神達電腦股份有限公司), which is principally engaged in the design and manufacturing of personal computers, server products and mobile communication products, as a supervisor for the department of engineering, research and development in May 1987, and then joined Efa Corp. (憶華科技股份有限公司), a company engaging in the manufacturing of electronic products and electronic games equipment, as an assistant manager for the manufacturing department in July 1988. Being the founder of the Group, Mr. Wu has more than 24 years of extensive experience in the electronics industry spanning from operations management, research and development, process engineering, procurement and logistics, to sales and marketing. In 2006, Mr. Wu obtained an executive master's degree in business administration from Fudan University in Shanghai.

Executive Directors

Wu Kai-Hsiung (伍開雄), aged 38, is an executive Director, the chief executive officer of the Company, and the general manager of TSMT Nanjing, TSMT Suzhou and Regent Suzhou. Mr. Wu is responsible for the overall management of the Group, as well as assisting the chairman in the formulation of corporate strategies and policies. Mr. Wu worked as an engineer for TSMT Taiwan from 1992 to 1995, after which he joined Arkino Technology Corp. (台灣旭邦科技股份有限公司), a company principally engaged in the design and manufacturing for computer peripherals, including card-readers and networking products, as an assistant manager in September 1995 to enrich his overall management skills. From 1997 to 2006, Mr. Wu worked as an assistant manager and subsequently as a manager for TSMT Taiwan. Mr. Wu also founded the Group's operations in Regent Dongguan and served as the plant manager thereof from 1997 to 2006, during which he also established Regent Ningbo FTZ in 2006. Mr. Wu has more than 15 years of experience in the electronics industry in respect of operations management, procurement, sales and marketing. On 5 March 2007, Mr. Wu resigned as a director of TSMT Taiwan. In 2005, Mr. Wu obtained an executive master's degree in business administration from the California University of Technology. Mr. Wu is a brother of Wu Kai-Yun.

Han Min (韓敏), aged 31, is an executive Director and the chief marketing officer of the Company. Ms. Han oversees the logistics, sales and marketing functions of the Group, as well as the development and maintenance of customer relationships. Ms. Han rendered her services as a supervisor of the logistics department of Regent Dongguan in 1997. From 1999 to 2002, Ms. Han served as a supervisor of the logistics department of Regent Suzhou. From 2002 to 2004, she served as an assistant manager of Regent Suzhou and was promoted as the manager of marketing and procurement department of Regent Suzhou in 2005. Ms. Han is currently undertaking an executive diploma in the school of management of Fudan University in Shanghai.

Directors' Profile

Tseng Yu-Ling (曾玉玲), aged 30, has been appointed as executive Director and chief financial officer of the Company with effect from 4 December 2007. Ms. Tseng graduated from the Department of Accountancy of National Taiwan University. She joined the Group in February 2003 as manager in the financial department. She was advanced to the position of vice-president in June 2005, and is in charge of the financial control and management of the Group. Before joining the Group in 2003, Ms. Tseng worked at KMPG from 1999 to 2002 and gained extensive experience in accounting and finance. She is a fellow member of Taiwan Provincial Certified Public Accountant Association. Ms. Tseng worked in the accounting department of Guang Fai Electronic Company from 2002 to 2003.

Independent non-executive Directors

Kwok Kwan Hung (郭君雄), aged 42, has been appointed as independent non-executive Director with effect from 4 December 2007. Mr. Kwok is a certified public accountant and accomplished a bachelor degree in Science from The University of London. He is an executive director of Nam Hing Holdings Limited, a company listed on the main board of the Stock Exchange, an independent non-executive director of Galileo Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, and an independent non-executive director of Info Communication Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors.

Wang Mie-Nan (王明楠), aged 45, has been appointed as independent non-executive Director with effect from 4 December 2007. Mr. Wang was a doctorate candidate in Electrical Engineering in University of Houston in the United States of America, he also accomplished a master degree in Electrical Engineering from University of Houston and a bachelor degree in Engineering in Electronic Engineering from Chun Yuan Christian University in Taiwan. His professional career highlights include: Design Engineer of Research Developing Group of SAMPO Corporation, Taiwan (1986-1988); Design Engineer of Computer Design Center of Digital Equipment Corporation, Taiwan (1992-1993); Manager of Computer Design Center in EFA Corporation, Taiwan (1994-1995); and Managing Director of Networking Research in Taiwan Sunrise Bell Technology Corporation, Taiwan (1996-present).

Lin Yen-Yu (林晏瑜), aged 34, has been appointed as independent non-executive Director with effect from 4 December 2007. Ms. Lin was a doctorate candidate in Business School of Kai-Nan University, she also accomplished a master degree in Business Administration of International Business from The University of Akron and a bachelor degree in History from National Taiwan University. Ms. Lin is the Asia Souring Director of Supply Technologies and she was the International Sales Manager/Project Manager of National Aerospace Fastener Corp..

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 31 December 2007.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Group is set out in note 1 to the financial statements and is principally engaged in the provision of integrated SMT production solutions for manufacturers of TFT-LCD panels and various electronics products. There were no significant changes in the nature of the Group's principal activities during the year.

Segment information

The Group's revenue and profit for the year ended 31 December 2007 were mainly derived from the manufacture and trading of electronic products. The products of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.

The Group's revenue is substantially derived from its end customers in the PRC and the Group's operating assets are substantially located in the PRC.

Accordingly, no segment analysis by business and geographical segments is provided for the year ended 31 December 2007.

Results and dividends

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 26 of this annual report.

During the year, the Company paid an interim dividend of HK$0.07 (2006: Nil) per share amounting to HK$70,000,000 (equivalent to approximately US$9,018,000) on 23 November 2007.

The Board recommends the payment of a final dividend of HK$0.07 (2006: Nil) per share amounting to HK$70,000,000 (equivalent to approximately US$8,975,000) in respect of the year ended 31 December 2007. The final dividend is expected to be paid on or around 16 April 2008 to those shareholders whose name appear on the register of members of the Company on 9 April 2008.

Total dividend for the year amounted to HK$0.14 (2006: Nil) per share. The details of dividends proposed for the year are set out in note 11 to the financial statements.

Financial summary

A summary of the published consolidated results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 88 of this annual report. This summary does not form part of the audited financial statements.

Report of the Directors

Major customers and suppliers

During the year, revenue attributable to the Group's five largest customers and the Group's largest customer were 94% and 69% of the total revenue of the Group respectively. The percentage of purchases attributable to the Group's five largest suppliers and the Group's largest supplier were 34% and 9.6% respectively.

None of the Directors, or any of their associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Donations

Charitable and other donations made by the Group during the year amounted to HK$1,000,000.

Property, plant and equipment and leasehold land prepayments

Details of the movements in property, plant and equipment and leasehold land prepayments of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

Share capital

Details of the movements in share capital of the Company are set out in note 27 to the financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 28 to the financial statements, respectively.

Distributable reserves

As at 31 December 2007, the Company's reserves available for distribution to shareholders comprised the retained profits amounted to US$9,005,000. Under the Companies Law of the Cayman Islands, the share premium of the Company amounted to US$49,891,000 is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Post balance sheet event

Details of significant post balance sheet event are set out in note 36 to the financial statements.

Directors

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

Executive Directors:

Wu Kai-Hsiung	
Han Min	
Tseng Yu-Ling	(appointed on 4 December 2007)
Chen Lung-Hsun, Patrick	(resigned on 31 January 2008)

Non-executive Directors:

Wu Kai-Yun *(Chairman)*

Independent non-executive Directors:

Kwok Kwan Hung	(appointed on 4 December 2007)
Wang Mie-Nan	(appointed on 4 December 2007)
Lin Yen-Yu	(appointed on 4 December 2007)
Dr. Wea Chi-Lin	(resigned on 1 December 2007)
Dr. Ma Chia-Ying, Michael	(resigned on 1 December 2007)
Liang Hsing-Kuo	(resigned on 1 December 2007)

In accordance with the articles of association of the Company (the "Articles of Association") adopted on 19 June 2007, one-third of the Directors shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at least once every three year, and each director appointed to fill a casual vacancy during the year shall be subject to re-election at forthcoming annual general meeting.

Details of Directors' emoluments on a named basis are set out in note 7 to the financial statements.

Biographical details of Directors

Brief biographical details of Directors are set out on page 7-8 of this annual report.

Independent non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the Company has appointed 3 independent non-executive Directors. The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors to be independent.

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 Code on Corporate Governance Practice (the "Corporate Governance Code"). The Audit Committee will meet at least four times each year with the main duties of providing an independent review of the effectiveness of the Group's financial reporting process, internal control and risk management systems. The Audit Committee comprises all of the independent non-executive Directors and is chaired by Kwok Kwan Hung. The Audit Committee has reviewed the audited consolidated results, including accounting principles and policies adopted by the Group for the year ended 31 December 2007.

Directors' service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 10 July 2007 and renewable automatically for successive terms of one year each thereafter, subject to termination by either party giving to the other not less than two month's prior notice in writing. The non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 10 July 2007 and thereafter shall continue for further periods of one year each, subject to termination by the Company giving not less than two months' prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each appointment letter is for a term of three years commencing from 4 December 2007.

In accordance with the Articles of Association, all Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years).

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Share Option Scheme

Particulars of the share option scheme granted by TSMT Taiwan, the Company's ultimate holding company, to certain directors and employees of the Group are set out in note 29 to the financial statements.

For the year ended 31 December 2007, no option has been granted or agreed to be granted to any person under the share option scheme of TSMT Taiwan.

Directors' interests and short position in shares, underlying shares and debentures of the Company or any associated corporations

As at 31 December 2007, the interests and short positions of the existing Directors and chief executives of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be 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 the Directors and chief executives of the Company 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests in shares

Name of Director	Company/name of associated corporation	Nature of interest	Number and class of securities	Percentage of interest in the relevant issued share capital
Wu Kai-Yun	the Company	Personal	3,436,314 Shares	0.34%
Wu Kai-Hsiung	the Company	Personal	1,963,608 Shares	0.20%
Tseng Yu-Ling	the Company	Personal	1,546,341 Shares	0.15%
Wang Mie-Nan	the Company	Personal	82,000 Shares	0.01%

Name of Director	Company/name of associated corporation	Nature of interest	Number and class of securities	Percentage of interest in the relevant issued share capital
Wu Kai-Yun	TSMT Taiwan	Personal	6,663,775 ordinary shares	4.76%
Wu Kai-Yun	TSMT Taiwan	Family *Note 1*	6,305,308 ordinary shares	4.50%
Wu Kai-Hsiung	TSMT Taiwan	Personal	1,071,393 ordinary shares	0.76%
Wa Kai-Hsiung	TSMT Taiwan	Family *Note 2*	128,018 ordinary shares	0.09%
Tseng Yu-Ling	TSMT Taiwan	Personal	61,743 ordinary shares	0.04%
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	*Note 3*	*Note 3*
Wu Kai-Yun	TSMT BVI, TSMT HK and TSMT USA	Family *Note 1*	*Notes 1 & 3*	*Notes 1 & 3*
Wu Kai-Hsiung	TSMT BVI, TSMT HK and TSMT USA	Personal	*Note 3*	*Note 3*

Notes:

1. The relevant shares were held by Wang Ying-Nien, the spouse of Wu Kai-Yun and his children aged under 18.

2. The relevant shares were held by the children aged under 18 of Wu Kai-Hsiung.

3. 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-Yun	TSMT Taiwan	Family *Note 1*	138,000 underlying shares
Wu Kai-Hsiung	TSMT Taiwan	Personal	125,000 underlying shares
Tseng Yu-Ling	TSMT Taiwan	Personal	13,000 underlying shares

Save as disclosed above, as at 31 December 2007, none of the Directors or their associate(s) 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 and short positions in shares and underlying shares

So far as is known to any Director, as at 31 December 2007, shareholders (other than the interest disclosed above in respect of 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

Name	Nature of interest	Number of shares	Approximate percentage of interest in the Company
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, as at 31 December 2007, there was no person (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who (i) had an interest or short position in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

Continuing Connected Transactions

The Board, including the independent non-executive Directors, has reviewed and confirmed that the continuing connected transactions set out below have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms and are in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Non-exempt continuing connected transactions

A. A purchase agreement was entered into between TSMT Taiwan and Regent Manner Limited (for itself and on behalf of its subsidiaries) regarding the Group's purchase of finished goods from TSMT Taiwan (the "Purchase Agreement").

Date of agreement: 19 June 2007

Covenant Parties:

(i) TSMT Taiwan, a controlling shareholder of the Company, is a connected person of the Company

(ii) Regent Manner Limited (for itself and on behalf of its subsidiaries)

Object: The Group is established by TSMT Taiwan to capture business opportunities in the PRC, such that TSMT Taiwan can focus its business on the Taiwan market. With a view to clearly delineate the territory of business of the Group and the TSMT Taiwan and its subsidiaries (other than the Group), TSMT Taiwan will refer orders from clients who migrate production of certain products to their production facilities located in the PRC to the Group. To ensure continuous supply to the relevant clients, the Group has purchased and will continue to purchase finished goods from TSMT Taiwan at the original quotation offered by the relevant clients before the Group passes the requisite certification imposed by the clients.

Report of the Directors

Terms:	10 July 2007 to 31 December 2009

Wavier granted by the Stock Exchange in respect of the annual cap on the aggregate value of the transactions for the year ended 31 December 2007:	US$7.4 million
The actual aggregate value of the transactions for the year ended 31 December 2007:	US$6.9 million

B. A procurement agreement was entered into between TSMT Taiwan and Regent Manner Limited (for itself and on behalf of its subsidiaries) regarding the Group's procurement of raw materials and components from TSMT Taiwan (the "Procurement Agreement")

Date of agreement: 19 June 2007

Covenant Parties:

(i) TSMT Taiwan, a controlling shareholder of the Company is a connected person of the Company

(ii) Regent Manner Limited (for itself and on behalf of its subsidiaries)

Object: After passing the requisite certification and being a qualified supplier of the relevant client, the Group will cease to purchase finished goods from TSMT Taiwan. The Group will purchase excessive raw materials and components from TSMT Taiwan in accordance with, amongst others, the rolling forecasts of orders indicated by customers. Raw materials and components will be sold by the TSMT Taiwan to Regent Manner Limited and/or its subsidiaries at cost plus handling charges of not more than 3% of the costs of TSMT Taiwan in procuring the relevant raw materials and components to cover shipping and administrative expenses incurred by TSMT Taiwan, which will be mutually agreed between Regent Manner Limited or its relevant subsidiary and TSMT Taiwan on an arm's length basis.

Terms: 10 July 2007 to 31 December 2009

Wavier granted by the Stock Exchange in respect of the annual cap on the agreement value of the transaction for the year ended 31 December 2007:	US$7.8 million
The actual aggregate value of the transactions for the year ended 31 December 2007:	US$5.3 million

Pursuant to the conditions of the waiver granted by the Stock Exchange in relation to the Purchase Agreement and the Procurement Agreement, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available from independent third parties; (iii) in accordance with each of the relevant agreements and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the waivers granted by the Stock Exchange.

The auditors of the Company have performed certain agreed upon procedures on the continuing connected transactions for the year ended 31 December 2007 (the "Transactions") pursuant to rule 14A.38 of the Listing Rules and advised the Board in writing with a copy provided to the Stock Exchange that the Transactions: (i) have been approved by the Board; (ii) have been entered into in accordance with the relevant agreements governing the Transactions; and (iii) have not exceeded the cap disclosed in the prospectus of the Company dated 26 June 2007 and approved by the Stock Exchange.

The transactions under the Purchase Agreement and Procurement Agreement constitute non-exempt continuing connected transactions for the Company and are subject to reporting, announcement requirement and independent shareholders' approval requirements under Rules 14A.45 to 14A.48 of the Listing Rules. Pursuant to Rules 14A.42(3) of the Listing Rules, conditional waivers have been granted by the Stock Exchange to the Company from strict compliance with the disclosure and independent shareholders' approval requirements under the Listing Rules for each of the three financial years ending 31 December 2009.

Directors' interests in contracts

Save as disclosed above in this directors' report, no contracts of significant, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in competing business

Save as disclosed above in this directors' report, in so far as the Directors were aware, none of the Directors or their associates had any interest in a business that compete with the business of the Group.

Pre-emptive rights

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

Directors' securities transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year of 2007.

Report of the Directors

Sufficiency of public float

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the date of this report.

Purchase, sale or redemption of shares

The Company's shares were listed on the Main Board of the Stock Exchange on 10 July 2007. Save for the above, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Auditors

The financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

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
Wu Kai-Yun
Chairman

Hong Kong, 25 February 2008

Corporate Governance Report

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 on Corporate Governance Practice (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules since the listing of the Company's shares on the Main Board of the Stock Exchange on 10 July 2007.

Directors' securities transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year of 2007.

Composition of the Board of Directors

The Board comprises three executive directors, one non-executive director and three independent non-executive directors. The biographical details of all directors are set out on pages 7 to 8 of this annual report. The composition of the Board is well balanced with directors having sound knowledge and skill on different areas of the Company's business. Details of composition and their respective area of responsibilities are set out in the table on page 22 of this annual report.

The Company has received, from each independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent. The independent non-executive Directors will provide independent views and share their knowledge and experience with the other members of the Board.

Functions of the Board

The Board is responsible for (i) the formulation of operational and strategic direction of the Group; (ii) monitoring the financial performance of the Group; (iii) overseeing the performance of management; and (iv) ensure that the business and operation of the Group are managed by properly authorized and competent management.

Meetings of the Board

The Board held four regular Board meetings at approximately quarterly interval during the year of 2007. Additional board meetings were held when necessary. At least 7 days notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. Minutes of every Board meeting are kept by the secretary of the Company at the registered office and Board members are also entitled to have full access to the Board minutes and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities. Details of individual attendance of Directors are set out in the table on page 22 of this annual report.

Corporate Governance Report

Chairman and chief executive officer

To ensure a balance of power between the Board and the management of the Company, the role of the chairman of the Board and the chief executive officer are segregated and are not exercised by the same individual. Wu Kai-Yun is the Chairman of the Board (the "Chairman") who is responsible for the effectiveness of operation of the Board and Wu Kai-Hsiung is the Chief Executive Officer (the "CEO") who is responsible for the management of the Group's business in all aspects effectively and the implementation of the strategies approved by the Board.

Relationship of the Board members

None of the Directors has any financial, business, family or other material or relevant relationships among members of the Board except that Wu Kai-Yun and Wu Kai-Hsiung are brothers.

Directors' interest in contract

Before each Board meeting, the Directors have to declare for their interests in the subject matter to be considered in the relevant Board meeting. Any director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant Board meeting nor vote for the Board resolutions. The independent non-executive Directors who and whose associates have no material interest in the matter will attend the meeting to deal with the matter if it is considered appropriate.

Non-executive Director

The non-executive Director, Wu Kai-Yun has entered into an appointment letter with the Company for a term of three years commencing from 10 July 2007 and thereafter shall continue for a further successive period of one year each, subject to termination by the Company giving not less than two month's advance written notice and subject to re-election at forthcoming annual general meetings in accordance with the Articles of Association of the Company and the relevant letter of appointment.

Remuneration Committee

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance of the Corporate Governance Code. The Remuneration Committee comprises all of the independent non-executive Directors and is chaired by Wang Mie-Nan. The Remuneration Committee meeting shall be held at least once a year to determine the remuneration policy for Directors and senior management. During the year, one remuneration committee meeting was held and the attendance of each member is set out in the attendance table on page 22 of this annual report.

The principal responsibilities of the Remuneration Committee include reviewing the remuneration policy, making recommendations to the Board on the remuneration package of the Directors and the senior management and reviewing performance-based remuneration and the annual share option scheme in order to ensure that the remuneration offered to Directors and senior management is appropriate.

Appointment, re-election and removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 10 July 2007 and renewable automatically for successive terms of one year each thereafter, subject to termination by either party giving to the other not less than two months' prior notice in writing.

The non-executive Director has entered into an appointment letter with the Company for a term of three years commencing from 10 July 2007 and thereafter shall continue for further successive periods of one year each, subject to termination by the Company giving not less than two month's advance written notice.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each appointment letter is for a term of three year commencing from 4 December 2007.

In accordance with the Company's Articles of Association, all Directors (including independent non-executive Directors) are subject to retirement by rotation at least once every three years.

The appointment, re-appointment and removal of Directors are recommended by the nomination committee, and decided by the Board.

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") on 2 March 2007 with written terms of reference in compliance of the Corporate Governance Code. The Nomination Committee comprises all of the independent non-executive Directors and is chaired by Lin Yen-Yu. The Nomination Committee meeting shall be held at least once a year. During the year, one remuneration committee meeting were held and the attendance of each director is set out in the attendance table on page 22 of this annual report.

The principal responsibilities of the Nomination Committee include making recommendations to the Board regarding the appointment of executive Directors of the Group.

Audit Committee

The Company has established an audit committee (the "Audit Committee") on 2 March 2007 with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee will meet at least four times each year with the main duties of providing an independent review of the effectiveness of the Group's financial reporting process, internal control and risk management systems. The Audit Committee comprises all of the independent non-executive Directors and is chaired by Kwok Kwan Hung. During the year, three audit committee meeting were held and the attendance of each Director is set out in the attendance table on page 22 of this annual report.

The principle responsibilities of the Audit Committee include (i) reviewing the financial information of the Company; (ii) overseeing the Company's financial reporting system and internal control procedure; and (iii) assisting the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, to comply other duties as set out in the Corporate Governance Code.

Corporate Governance Report

Auditor's Remuneration

An analysis of the remuneration of the Company's auditor, Ernst & Young, for the year ended 31 December 2007 set out below:

	Fee paid/payable Approximately US$'000
Service rendered	
Audit service as the reporting accountants for the Company's initial public offering on The Stock Exchange	493
Audit fee for 2007 annual audit	325
Non audit service	–
Total	818

		Attendance out of number of meetings				
Name of director	**Position**	**Board**	**Independent Board**	**Remuneration Committee**	**Nomination Committee**	**Audit Committee**
Executive Directors						
Wu Kai-Hsiung	CEO	10/14				
Han Min	Chief Marketing Officer	5/14				
Tseng Yu-Ling (ii)	CFO	2/14	1/3			
Chen Lung-Hsun, Patrick (iii)	ex. CFO	6/14	2/3			
Non-executive Director						
Wu Kai-Yun	Chairman	11/14				
Independent non-executive Directors						
Dr. Wea Chi-Lin (i)		3/14	2/3			2/3
Dr. Ma Chia-Ying, Michael (i)		5/14	2/3			2/3
Liang Hsing-Kuo (i)		4/14	2/3			2/3
Kwok Kwan Hung (ii)		2/14	1/3	1/1	1/1	1/3
Wang Mie-Nan (ii)		2/14	1/3	1/1	1/1	1/3
Lin Yen-Yu (ii)		2/14	1/3	1/1	1/1	1/3

(i) resigned on 1 December 2007
(ii) appointed on 4 December 2007
(iii) resigned on 31 January 2008

Accountability of the Board

The Directors acknowledge that it is their responsibilities for preparing the financial statements of the Group, so as to give a true and fair view of the financial position, results and cash flow of the Group and presenting the interim and annual reports and announcements to shareholders. In preparing the financial statements for the year ended 31 December 2007, the Directors have adopted suitable accounting policies and applied them consistently, made judgements and estimations that are prudent and reasonable and have prepared the financial statements on a going concern basis.

Communication with shareholders

The Company endeavors to provide its shareholders accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, announcements, press release and also the company website at http://www.rmih.com. The Board will maintain regular communication with institutional investors to address their enquiries on the Group's strategies, operations management and plans.

All the shareholders of the Company are to be given a formal notice 21 days in advance of the Company's annual general meeting where the shareholders will have an opportunity to communicate directly with the Board of the Company.

Internal control

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to business environment or regulatory guidelines.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of the issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

Independent Auditors' Report

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of
Regent Manner International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Regent Manner International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 26 to 87, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

25 February 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 US$'000	2006 US$'000
REVENUE	4	**431,532**	274,110
Cost of sales		**(376,127)**	(239,627)
Gross profit		**55,405**	34,483
Other income and gain	4	**3,054**	1,427
Selling and distribution costs		**(1,162)**	(725)
Administrative expenses		**(10,760)**	(7,279)
Other expenses		**(582)**	(952)
Finance costs	5	**(1,115)**	(2,228)
PROFIT BEFORE INCOME TAX	6	**44,840**	24,726
Income tax	9	**(4,493)**	(922)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10	**40,347**	23,804
DIVIDENDS	11		
Interim		**9,018**	–
Proposed final		**8,975**	–
		17,993	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**US$0.0464**	US$0.0317

Consolidated Balance Sheet

31 December 2007

	Notes	2007 US$'000	2006 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**84,146**	54,287
Leasehold land prepayments	14	**7,223**	3,844
Deferred tax asset	15	**193**	47
Total non-current assets		**91,562**	58,178
CURRENT ASSETS			
Inventories	17	**23,174**	21,963
Trade receivables	18	**168,340**	87,235
Prepayments, deposits and other receivables	19	**6,285**	8,942
Due from a related company	20	**–**	68
Due from the ultimate holding company	20	**–**	1,171
Tax recoverable		**1,611**	1,099
Cash and bank balances	21	**53,990**	16,615
Total current assets		**253,400**	137,093
CURRENT LIABILITIES			
Trade payables	22	**151,212**	89,455
Accruals and other payables	23	**8,514**	5,301
Interest-bearing bank and other borrowings	24	**12,891**	7,293
Finance lease payables	25	**710**	608
Due to a related company	26	**–**	6,744
Due to the ultimate holding company	26	**4,521**	2,969
Tax payable		**3,475**	1,052
Total current liabilities		**181,323**	113,422
NET CURRENT ASSETS		**72,077**	23,671
TOTAL ASSETS LESS CURRENT LIABILITIES		**163,639**	81,849

Consolidated Balance Sheet

31 December 2007

	Notes	2007 US$'000	2006 US$'000
NON-CURRENT LIABILITIES			
Finance lease payables	25	**1,006**	1,605
Interest-bearing bank and other borrowings	24	**–**	440
Deferred tax liability	15	**313**	–
Total non-current liabilities		**1,319**	2,045
Net assets		**162,320**	79,804
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	27	**1,282**	39,363
Reserves		**152,063**	40,441
Proposed final dividend	11	**8,975**	–
Total equity		**162,320**	79,804

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to equity holders of the parent								
	Notes	Issued capital US$'000 (note 27)	Share premium account US$'000	Statutory reserve fund US$'000 (note 28(a))	Share-based payment reserve US$'000 (note 29)	Merger reserve US$'000 (note 28(b))	Retained profits US$'000	Proposed final dividend US$'000 (note 11)	Total reserves US$'000	Total equity US$'000
At 1 January 2006		13,469	–	1,391	121	–	14,418	–	15,930	29,399
Issue of share capital		25,894	–	–	–	–	–	–	–	25,894
Profit for the year		–	–	–	–	–	23,804	–	23,804	23,804
Equity-settled share-based arrangements		–	–	–	707	–	–	–	707	707
Transfer from retained profits		–	–	1,981	–	–	(1,981)	–	–	–
At 31 December 2006		39,363	–	3,372*	828*	–	36,241*	–	40,441	79,804
Merger reserve arising from a group reorganisation (the "Reorganisation")		(39,363)	–	–	–	39,363	–	–	39,363	–
Capitalisation issue	27(e)	961	(961)	–	–	–	–	–	(961)	–
Issue of share capital	27(f)	321	53,525	–	–	–	–	–	53,525	53,846
Profit for the year		–	–	–	–	–	40,347	–	40,347	40,347
Share issue expenses		–	(2,673)	–	–	–	–	–	(2,673)	(2,673)
Equity-settled share-based arrangements		–	–	–	14	–	–	–	14	14
Interim 2007 dividend	11	–	–	–	–	–	(9,018)	–	(9,018)	(9,018)
Proposed final dividend	11	–	–	–	–	–	(8,975)	8,975	–	–
At 31 December 2007		1,282	49,891*	3,372*	842*	39,363*	58,595*	8,975	161,038	162,320

* These reserve accounts comprise the consolidated reserves of US$152,063,000 (2006: US$40,441,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

31 December 2007

	Notes	2007 US$'000	2006 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**44,840**	24,726
Adjustments for:			
Interest expense		**573**	1,484
Interest income	4	**(980)**	(192)
Depreciation of property, plant and equipment	6	**7,110**	5,164
Amortisation of leasehold land prepayments	6	**48**	23
Loss on disposal of items of property, plant and equipment	6	**607**	907
Equity-settled share-based payment expenses	6	**14**	707
Write-down of inventories to net realisable value	6	**1,754**	335
Tax refund	4	**(588)**	(511)
		53,378	32,643
Increase in trade receivables		**(81,105)**	(25,181)
Decrease/(increase) in prepayments, deposits and other receivables		**2,523**	(6,503)
Increase in inventories		**(2,965)**	(7,216)
Decrease in an amount due from a related company		**68**	1,802
Decrease in an amount due from the ultimate holding company		**1,171**	74
Increase in trade payables		**61,757**	54,877
Increase in accruals and other payables		**3,213**	1,930
Decrease in amounts due to directors		**–**	(559)
Decrease in an amount due to a related company		**(6,744)**	(21,860)
Decrease in an amount due to the intermediate holding company		**–**	(353)
Increase/(decrease) in an amount due to the ultimate holding company		**1,552**	(4,945)
Cash generated from operations		**32,848**	24,709
Income tax paid		**(2,926)**	(1,252)
Net cash inflow from operating activities		**29,922**	23,457

Consolidated Cash Flow Statement

31 December 2007

	Notes	2007 US$'000	2006 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**980**	192
Decrease/(increase) in pledged bank balances		**279**	(75)
Increase in time deposits with an initial term of more than three months		**(1,429)**	(2,561)
Purchases of items of property, plant and equipment		**(39,537)**	(24,943)
Proceeds from disposal of items of property, plant and equipment		**1,961**	3,570
Additions of leasehold land prepayments		**(3,427)**	(3,977)
Tax refund from re-investment	4	**1,099**	–
Receipt of a government grant		**–**	314
Net cash outflow from investing activities		**(40,074)**	(27,480)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(573)**	(1,484)
Payment of capital element of finance lease payables		**(497)**	(977)
Capital injection from equity holders		**–**	25,894
Proceeds from issue of shares	27(f)	**53,846**	–
Share issue expenses		**(2,539)**	–
Dividend paid		**(9,018)**	–
New bank and other borrowings		**42,611**	53,007
Repayment of bank and other borrowings		**(37,453)**	(64,304)
Net cash inflow from financing activities		**46,377**	12,136
NET INCREASE IN CASH AND CASH EQUIVALENTS		**36,225**	8,113
Cash and cash equivalents at beginning of year		**13,053**	4,940
CASH AND CASH EQUIVALENTS AT END OF YEAR		**49,278**	13,053
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand	21	**88**	87
Cash at banks, unrestricted	21	**49,190**	12,966
		49,278	13,053

Balance Sheet

31 December 2007

	Notes	2007 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	16	**69,463**
Total non-current assets		**69,463**
CURRENT ASSETS		
Prepayments, deposits and other receivables	19	**9,027**
Cash and bank balances	21	**21,299**
Total current assets		**30,326**
CURRENT LIABILITIES		
Accruals and other payables	23	**248**
Total current liabilities		**248**
NET CURRENT ASSETS		**30,078**
NET ASSETS		**99,541**
EQUITY		
Issued capital	27	**1,282**
Reserves	28(c)	**89,284**
Proposed final dividend	11	**8,975**
Total equity		**99,541**

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Notes to Financial Statements

31 December 2007

1. Corporate information and group reorganisation

Regent Manner International Holdings Limited is a limited liability company incorporated in the Cayman Islands on 9 August 2006. The registered office of the Company is located at 20th Floor, No. 168 Queen's Road Central, Hong Kong.

Pursuant to the Reorganisation to rationalise 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, it 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 an intermediate holding company and Regent BVI became the immediate holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation 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 Group is principally engaged in the manufacture and sale of electronic products and the provision of related subcontracting services.

Particulars of the subsidiaries of the Company are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		US$'000	%	%	
Regent BVI	British Virgin Islands 10 August 2006	50	100	–	Investment holding
Regent HK	Hong Kong 11 April 1997	43,493	–	100	Manufacture and sale of electronic products, provision of subcontracting services and investment holding

Notes to Financial Statements

31 December 2007

1. Corporate information and group reorganisation *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
		US$'000	%	%	
Regent Electron (Ningbo) Co., Ltd. ("Regent Ningbo")	The People's Republic of China (the "PRC") 25 January 2006	10,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Ningbo) Free Trade Zone Co., Ltd. ("Regent Ningbo FTZ")	The PRC 19 January 2006	10,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Suzhou) Co., Ltd. ("Regent Suzhou")	The PRC 9 August 1999	25,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Xiamen) Co., Ltd. ("Regent Xiamen")	The PRC 10 April 2006	9,000 Registered capital of 20,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Foshan) Co., Ltd. ("Regent Foshan")	The PRC 16 March 2007	1,500 Registered capital of 5,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

1. Corporate information and group reorganisation *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
		US$'000	%	%	
Regent Electron (Langfang) Co., Ltd. ("Regent Langfang")	The PRC 16 September 2007	2,000 Registered capital of 10,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Taiwan Surface Mounting Technology (Nanjing) Co., Ltd. ("TSMT Nanjing")	The PRC 19 January 2004	2,500	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Taiwan Surface Mounting Technology (Ningbo) Co., Ltd. ("TSMT Ningbo")	The PRC 8 February 2006	5,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Taiwan Surface Mounting Technology (Suzhou) Electronic Co., Ltd. ("TSMT Suzhou")	The PRC 24 June 2002	21,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Taiwan Surface Mounting Technology (B.V.I.) Co. Limited ("TSMT BVI") and Taiwan Surface Mounting Technology Corp. ("TSMT Taiwan"), which are incorporated in the British Virgin Islands and Taiwan, respectively. TSMT Taiwan is listed on the GreTai Securities Market, an over-the-counter securities market in Taiwan.

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2.1 Basis of presentation

As a result of the Reorganisation, the Group is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on a merger basis as if the Company had been the holding company of the companies comprising the Group throughout the year ended 31 December 2007, or from their respective dates of incorporation, whichever is shorter.

2.2 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in United States dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.3 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

2.3 Impact of new and revised Hong Kong Financial Reporting Standards *(continued)*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 35 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued any equity instruments to its employees for any services provided, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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2.4 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Entities will need to consider whether to present the statement of comprehensive income as a single statement or two statements. This may also impact the information disclosed in other announcements by the entity, such as press releases.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

2.4 Impact of issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As disclosed in note 29(a), the Group received a share option scheme from TSMT Taiwan, its ultimate holding company for the purpose of providing incentive and rewards to eligible participants who contribute to the success of the Group's operating success. As the Group's current policy for that employee share option scheme aligns with the requirements of HK(IFRIC)-Int 11, it is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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2.5 Summary of significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue is recognised when all conditions of sales have been met, the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) *Subcontracting service income*

Subcontracting service income is recognised when the subcontracting services have been rendered and it is probable that the economic benefits will flow to the Group and the relevant fees can be measured reliably.

(c) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

(a) *Share-based payment transactions*

The Group had a share reward programme and also received a share option scheme from its ultimate holding company, TSMT Taiwan. The objectives of the programme and the scheme are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors of the Company) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by external valuers using appropriate pricing models, further details of which are given in note 29 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares for the respective companies ("market conditions"), if applicable.

2.5 Summary of significant accounting policies *(continued)*

Employee benefits *(continued)*

(a) Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

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2.5 Summary of significant accounting policies *(continued)*

Employee benefits *(continued)*

(b) *Retirement benefits*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees of the company in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14.5%-30% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Other borrowing costs are recognised as expenses in the consolidated income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the memorandum and articles of association of the Company grant its directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.5 Summary of significant accounting policies *(continued)*

Foreign currencies

These financial statements are presented in United States dollars ("US$"), which is the Company's functional and presentation currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement. Non-monetary items that are measured in items of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

Research and development costs

All research costs are charged to the consolidated income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2.5 Summary of significant accounting policies *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 Summary of significant accounting policies *(continued)*

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its holding company;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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2.5 Summary of significant accounting policies *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write-off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Annual depreciation rate
Buildings	4.5%
Plant and machinery	9%
Computer equipment	18%
Furniture and office equipment	18%
Motor vehicles	18%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, furniture and office equipment and plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 Summary of significant accounting policies *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value of the grant is deducted from the carrying amount of the asset and released to the consolidated income statement by way of a reduced depreciation charge.

2.5 Summary of significant accounting policies *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

Leasehold land prepayments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Financial assets of the Group in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.5 Summary of significant accounting policies *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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2.5 Summary of significant accounting policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank and other borrowings)

Financial liabilities including trade and other payables, finance lease payables, amounts due to related parties and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within finance costs in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

2.5 Summary of significant accounting policies *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprised direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less banks overdrafts which are repayment on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks and time deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Notes to Financial Statements

31 December 2007

2.5 Summary of significant accounting policies *(continued)*

Estimation uncertainty

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

(a) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2007 was US$664,000 (2006: US$393,000). Further details are contained in note 15 to the financial statements.

(b) *Write down of inventories to net realisable value*

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations by the balance sheet date.

(c) *Impairment of property, plant and equipment*

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of property, plant and equipment is the greater of the net selling price and value in use, the calculations of which involve the use of estimates.

(d) *Share-based payments*

For share-based payment transactions, the fair value of services received by the Group is determined by reference to the fair value of equity instruments at the grant date and is recognised as an expense over the vesting period. The calculations of the fair value of equity instruments involve the use of estimates.

3. Segment information

The Group's revenue and profit for the year ended 31 December 2007 were mainly derived from the manufacture and trading of electronic products. The products of the Group are subject to similar risks and returns and, therefore, the Group has only one business segment.

The Group's revenue is substantially derived from its end customers in the PRC and the Group's operating assets are substantially located in the PRC.

Accordingly, no segment analysis by business and geographical segments is provided for the year ended 31 December 2007.

4. Revenue and other income and gain

Revenue, which is also the Group's turnover, represents (i) the net invoiced value or contracted value of goods sold upon dispatch of goods, after allowances for returns, trade discounts and sales tax, where applicable; and (ii) the value of subcontracting services rendered.

An analysis of revenue and other income and gain is as below:

	Group	
	2007	2006
	US$'000	US$'000
Revenue		
Sale of goods	**414,690**	253,096
Subcontracting service income	**16,842**	21,014
	431,532	274,110
Other income and gain		
Interest income	**980**	192
Exchange gain	**1,066**	544
Sale of scraps	**51**	64
Tax refund (i)	**588**	511
Others	**369**	116
	3,054	1,427
	434,586	275,537

Note:

(i) In accordance with Article 10 of the PRC Tax Law, the Group is entitled to tax refund as a result of its re-investment of dividends distributed to the Group by some of its PRC subsidiaries to its other PRC subsidiaries during the year ended 31 December 2007.

5. Finance costs

	Group 2007 US$'000	Group 2006 US$'000
Interest on bank and other borrowings	**322**	1,282
Interest on finance leases	**251**	202
Bank charges	**542**	744
	1,115	2,228

6. Profit before income tax

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

	Notes	Group 2007 US$'000	Group 2006 US$'000
Employee benefits expense (including directors' emoluments (note 7)):			
Wages and salaries		**14,461**	9,079
Equity-settled share-based payment expenses			
– Share option scheme of TSMT Taiwan		**14**	31
– Share reward programme		**–**	676
Pension scheme contributions		**878**	680
		15,353	10,466
Cost of inventories sold		**321,678**	198,411
Cost of services provided		**15,060**	19,170
Depreciation of property, plant and equipment	13	**7,110**	5,164
Amortisation of leasehold land prepayments	14	**48**	23
Loss on disposal of items of property, plant and equipment		**607**	907
Auditors' remuneration		**325**	17
Minimum lease payments under operating leases in respect of:			
Buildings		**568**	442
Machinery		**324**	–
Research and development costs		**2,572**	1,018
Write-down of inventories to net realisable value		**1,754**	335

7. Director's emoluments

Directors' remuneration for the year, disclosed pursuant to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Fees	**159**	–
Other emoluments:		
Salaries, allowances, and benefits in kind	**616**	610
Bonuses	**58**	70
Share-based payment expenses:		
Share option scheme of TSMT Taiwan	**9**	20
Share reward programme	**–**	312
	842	1,012

During the year ended 31 December 2006, certain directors of the Company were granted share options of the ultimate holding company and subscribed for ordinary shares of Regent Manner Limited, a subsidiary of the Company, in respect of their services rendered to the Group, further details of which are set out in note 29. The fair value of such options granted and shares subscribed, which has been recognised to the consolidated income statement over the vesting periods, was determined as at the date of grant. The amount included in the consolidated financial statements for the year ended 31 December 2007 is included in the above director's emolument disclosures.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	Group	
	2007	2006
	US$'000	US$'000
Dr. Wea Chi-Lin (resigned on 1 December 2007)	**9**	–
Dr. Ma Chia-Ying, Michael (resigned on 1 December 2007)	**9**	–
Liang Hsing-Kuo (resigned on 1 December 2007)	**9**	–
Kwok Kwan Hung (appointed on 4 December 2007)	**1**	–
Wang Mie-Nan (appointed on 4 December 2007)	**1**	–
Lin Yen-Yu (appointed on 4 December 2007)	**1**	–
	30	–

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

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7. Director's emoluments *(continued)*

(b) Executive Directors and a non-executive Director

	Group				
	Fees	Salaries, allowances, and benefits in kind	Bonuses	Share-based payment expenses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2007					
Executive directors:					
Wu Kai-Hsiung	**35**	**60**	**15**	**5**	**115**
Han Min	**21**	**11**	**8**	**–**	**40**
Chen Lung-Hsun, Patrick*	**28**	**62**	**–**	**–**	**90**
Tseng Yu-Ling, Kelly (appointed on 4 December 2007)	**2**	**28**	**7**	**1**	**38**
	86	**161**	**30**	**6**	**283**
Non-executive director:					
Wu Kai-Yun	**43**	**455**	**28**	**3**	**529**
	129	**616**	**58**	**9**	**812**
2006					
Executive directors:					
Wu Kai-Hsiung	–	161	26	100	287
Han Min	–	9	6	–	15
Chen Lung-Hsun, Patrick	–	14	12	71	97
	–	184	44	171	399
Non-executive director:					
Wu Kai-Yun	–	426	26	161	613
	–	610	70	332	1,012

* Subsequent to the balance sheet date, on 31 January 2008, Chen Lung-Hsun, Patrick, resigned as director of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. Five highest paid employees

The five highest paid employees of the Group during the year included three directors (2006: two) and two non-director individuals (2006: three), details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2006: three) highest paid, non-director individuals during the year is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Salaries, allowances and benefits in kind	**97**	130
Bonuses	**9**	43
Share-based payment expenses:		
Share option scheme of TSMT Taiwan	**–**	3
Share reward programme	**–**	37
	106	213

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**2**	3

During the year ended 31 December 2007, no emoluments were paid by the Group to the directors or the highest paid, non-director employees as an inducement to join the Group, upon joining the Group, or as compensation for loss of office.

During the year ended 31 December 2006, two non-director, highest paid employees were granted share options of the ultimate holding company. There were three non-director, highest paid employees, subscribed ordinary shares of Regent HK under Regent HK's share reward programme in respect of their services rendered to the Group during the year ended 31 December 2006, further details of which are included in the disclosure in note 29. The fair value of such options granted and shares subscribed, which has been recognised to the consolidated income statements over the vesting periods, was determined as at the date of grant. The amount included in the consolidated financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

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9. Income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

Regent BVI is incorporated in the British Virgin Islands under the International Business Companies Acts of the British Virgin Islands and is exempted from payment of the British Virgins Islands income tax.

In accordance with Departmental Interpretation and Practice Note 21 (Revised) paragraph 16 published by the Inland Revenue Department of Hong Kong, the directors of the Company considered that Regent HK, a Hong Kong manufacturing business involved in the manufacturing activities in the PRC, is entitled to a 50:50 apportionment of profits generated from the sale of good manufactured in the PRC. As a result, Regent HK provided for Hong Kong profits tax at 8.75% on the estimated assessable profits arising in Hong Kong for 2007 (2006: Nil).

Regent HK operates through a subcontracting factory in Dongguan, the PRC. The factory is subject to PRC corporate income tax at a rate of 33% on the deemed profit generated in the PRC. The deemed profit is calculated at a rate of 7% on the total deemed revenue which is determined by applying 7% mark-up on the total processing costs incurred by the subcontracting factory.

Regent Suzhou and TSMT Suzhou are located and operate in a coastal open economic zone in the PRC and are subject to state corporate income tax at 24% and the local corporate income tax at 3%. According to the prevailing tax law of the PRC, Regent Suzhou and TSMT Suzhou, being manufacturing enterprises with foreign investment, are entitled to full exemption from corporate income tax for the first and second profitable years (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the three succeeding years. The first profit-making year of Regent Suzhou and TSMT Suzhou was in 2000 and 2005, respectively. According to Article 75 note (7) of the Rules for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, export-oriented enterprises with foreign investment may, upon the expiration of tax exemption and reduction period as provided under the PRC Income Tax Law, enjoy a further 50% reduction in state corporate income tax and full exemption from local corporate income tax if the value of their exported products of a particular financial year exceeds 70% of the total value of products of the same year. During the year ended 31 December 2007, Regent Suzhou fulfilled the above tax exemption and reduction benefits criteria and was therefore subject to the PRC corporate tax rate of 12% with full exemption from local corporate income tax. As the first profit-making year of TSMT Suzhou was 2005, it was entitled to a 50% exemption from the PRC corporate income tax and full exemption from local corporate income tax during the year ended 31 December 2007.

9. Income tax *(continued)*

TSMT Nanjing and Regent Foshan are located and operate in a special economic development zone and a coastal open economic zone in the PRC and are subject to state corporate income tax at 24% and local corporate income tax at 3%. According to the prevailing Income Tax Law of the PRC, TSMT Nanjing and Regent Foshan, being manufacturing enterprises with foreign investment, are entitled to full exemption from corporate income tax for the first and second profitable years (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the three succeeding years. During the year, TSMT Nanjing was still in a tax loss position while Regent Foshan has not commenced its operation. Accordingly, they are not subject to the PRC corporate income tax.

TSMT Ningbo, Regent Ningbo, Regent Ningbo FTZ and Regent Xiamen are located and operate in special economic development zones in the PRC, and are subject to state corporate income tax at 15%. TSMT Ningbo, Regent Ningbo and Regent Ningbo FTZ are subject to local corporate income tax at 1.5%, while Regent Xiamen is subject to local corporate income tax at 3%. According to the Income Tax Law of the PRC, Regent Ningbo FTZ, being a manufacturing enterprise with foreign investment, is entitled to full exemption from corporate income tax for the first and second profitable years (after offsetting accumulated tax losses, which can be carried forward for utilisation for a maximum period of five years), and a further 50% exemption for the three succeeding years. The first profit-making year of Regent Ningbo FTZ was 2006 and it was therefore entitled to full exemption from the PRC corporate income tax during the year ended 31 December 2007. Regent Xiamen has commenced business operation during the year but is still in a tax loss position, therefore it is not subject to the PRC corporate income tax for the year ended 31 December 2007. As at 31 December 2007, TSMT Ningbo, Regent Ningbo had no taxable income as these companies have not commenced their manufacturing and trading activities.

Regent Langfang is located and operates in the PRC and is subject to state corporate income tax at 30% and local corporate income tax at 3%. As at 31 December 2007, Regent Langfang had no taxable income as the company has not commenced its manufacturing and trading activities.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved, and it became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Grandfather provisions are available to TSMT Suzhou, Regent Ningbo (FTZ), Regent Ningbo, TSMT Ningbo, TSMT Nanjing and Regent Xiamen who are entitled to full exemption from the Corporate Income Tax for the first and second profitable years, or for the first and second year since 1 January 2008, where this is a shorter period, and further 50% exemption for the succeeding three years.

Notes to Financial Statements

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9. Income tax *(continued)*

The major components of the income tax expense for the year ended 31 December 2007 are as follows:

	Group	
	2007	2006
	US$'000	US$'000
Current tax	**4,326**	969
Deferred tax (Note 15)	**167**	(47)
Income tax	**4,493**	922

	Group					
	2007					
	Hong Kong		**The PRC**		**Total**	
	US$'000	**%**	**US$'000**	**%**	**US$'000**	**%**
Profit before income tax	**14,412**		**30,428**		**44,840**	
Tax at the applicable tax rate	**1,261**	**8.75%**	**8,215**	**27.00%**	**9,476**	**21.13%**
Effect of differences in tax rates	**–**	**–**	**(557)**	**(1.83%)**	**(557)**	**(1.24%)**
Effect of tax exemption	**–**	**–**	**(4,606)**	**(15.14%)**	**(4,606)**	**(10.27%)**
Expenses not deductible for tax	**–**	**–**	**107**	**0.35%**	**107**	**0.24%**
Tax losses not recognised	**–**	**–**	**73**	**0.24%**	**73**	**0.16%**
Tax charge at the Group's effective rate	**1,261**	**8.75%**	**3,232**	**10.62%**	**4,493**	**10.02%**

	Group	
	2006	
	The PRC	
	US$'000	%
Profit before income tax	24,726	
Tax at the applicable tax rate	6,676	27.00%
Effect of differences in tax rate	(967)	(3.91%)
Effect of tax exemptions	(4,765)	(19.27%)
Utilisation of tax losses not previously recognised	(22)	(0.09%)
Tax charge at the group's effective rate	922	3.73%

No provision for Hong Kong profits tax was made during the year ended 31 December 2006 as the Group had no assessable profits arising in Hong Kong.

10. Profit for the year attributable to equity holders of the parent

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2007 includes a profit of US$18,023,000 which has been dealt with in the financial statements of the Company (note 28(c)).

11. Dividends

	Group and Company	
	2007	2006
	US$'000	US$'000
Interim – HK7 cent per ordinary share	**9,018**	–
Proposed final – HK7 cent per ordinary share	**8,975**	–
	17,993	–

An interim dividend of HK7 cent (2006: Nil) per ordinary share amounting to HK$70,000,000 (equivalent to approximately US$9,018,000) was paid on 23 November 2007 to shareholders on the register of members of the Company at the close of business on 16 November 2007.

A proposed final dividend in respect of the year ended 31 December 2007 of HK7 cent per ordinary share, amounting to a total dividend of HK$70,000,000 (equivalent to US$8,975,000) is subject to the approval of the forthcoming annual general meeting of the Company. These financial statements do not reflect this dividend payable.

12. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

	Group	
	2007	2006
Profit attributable to ordinary equity holders of the parent (US$'000)	**40,347**	23,804
Weighted average number of ordinary shares in issue ('000)	**869,863**	750,000

Basic earnings per share for the year ended 31 December 2007 is calculated by dividing the profit for the year attributable to equity holders of the Company of US$40,347,000 by the weighted average number of 869,863,000 ordinary shares in issue during the year.

12. Earnings per share attributable to ordinary equity holders of the parent

(continued)

The comparative basic earnings per share is calculated by dividing the profit for the year attributable to equity shareholders of the Company of US$23,804,000 by an aggregate of 750,000,000 shares which were deemed to have been in issue since 1 January 2006. The shares comprise 30,556 shares issued after incorporation of the Company and the 749,969,444 shares issued after a capitalisation issue was completed upon the listing of the Company's shares on the Stock Exchange.

Diluted earnings per share amount has not been disclosed for the year ended 31 December 2007 as there were no dilutive options and other potential dilutive ordinary shares in issue during the current year (2006: Nil).

13. Property, plant and equipment

Group

31 December 2007	Buildings US$'000	Plant and machinery US$'000	Computer equipment US$'000	Furniture and office equipment US$'000	Motor vehicles US$'000	Leasehold improvements US$'000	Construction in progress US$'000	Total US$'000
At 31 December 2006 and 1 January 2007:								
Cost	3,425	58,580	1,652	1,181	706	551	3,727	69,822
Accumulated depreciation	661	13,461	843	316	140	114	–	15,535
Net carrying amount	2,764	45,119	809	865	566	437	3,727	54,287
At 1 January 2007, net of accumulated depreciation	2,764	45,119	809	865	566	437	3,727	54,287
Additions	84	23,057	950	1,708	242	383	13,113	39,537
Disposals	–	(2,441)	(60)	(34)	(20)	–	(13)	(2,568)
Depreciation provided during the year	(186)	(5,965)	(144)	(414)	(183)	(218)	–	(7,110)
Transfers	872	5,665	–	640	–	–	(7,177)	–
At 31 December 2007, net of accumulated depreciation	3,534	65,435	1,555	2,765	605	602	9,650	84,146
At 31 December 2007:								
Cost	4,381	82,810	2,193	3,261	854	934	9,650	104,083
Accumulated depreciation	847	17,375	638	496	249	332	–	19,937
Net carrying amount	3,534	65,435	1,555	2,765	605	602	9,650	84,146

13. Property, plant and equipment *(continued)*

Group

31 December 2006	Buildings US$'000	Plant and machinery US$'000	Computer equipment US$'000	Furniture and office equipment US$'000	Motor vehicles US$'000	Leasehold improvements US$'000	Construction in progress US$'000	Total US$'000
At 31 December 2005 and 1 January 2006:								
Cost	3,418	38,042	1,342	803	385	316	3,700	48,006
Accumulated depreciation	499	10,652	739	212	92	17	–	12,211
Net carrying amount	2,919	27,390	603	591	293	299	3,700	35,795
At 1 January 2006, net of accumulated depreciation	2,919	27,390	603	591	293	299	3,700	35,795
Additions	7	22,777	515	518	354	235	3,727	28,133
Disposals	–	(4,354)	(41)	(60)	(22)	–	–	(4,477)
Depreciation provided during the year	(162)	(4,394)	(268)	(184)	(59)	(97)	–	(5,164)
Transfers	–	3,700	–	–	–	–	(3,700)	–
At 31 December 2006, net of accumulated depreciation	2,764	45,119	809	865	566	437	3,727	54,287
At 31 December 2006:								
Cost	3,425	58,580	1,652	1,181	706	551	3,727	69,822
Accumulated depreciation	661	13,461	843	316	140	114	–	15,535
Net carrying amount	2,764	45,119	809	865	566	437	3,727	54,287

As at 31 December 2007, the net book value of the Group's plant and machinery that were pledged to secure bank loans to the Group amounted to nil (2006: US$12,734,000).

The net book value of the Group's plant and machinery held under finance leases at 31 December 2007 amounted to US$2,622,000 (2006: US$2,985,000).

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14. Leasehold land prepayments

	Group	
	2007	2006
	US$'000	US$'000
Cost at 1 January, net of accumulated amortisation	**3,844**	204
Additions	**3,427**	3,663
Amortisation provided during the year	**(48)**	(23)
At 31 December	**7,223**	3,844
At 31 December		
Cost	**7,321**	3,894
Accumulated amortisation	**(98)**	(50)
Net carrying amount	**7,223**	3,844

The land is situated in the PRC and the respective leasehold land prepayments are held under a 50-year term lease.

As at 31 December 2006, a government grant of US$314,000 was included in the Group's leasehold land prepayments acquired in 2006 and was deducted from its cost in arriving at the carrying amount. The original cost of the leasehold land prepayments before the deduction of the grant amounted to US$1,038,000. The grant is provided by the Administration Council of Ningbo Free Trade Zone to manufacturers of high technology products that lease land for production facilities in the Ningbo Free Trade Zone. All conditions attaching to the grant have been fulfilled as at 31 December 2006.

As at 31 December 2007, the Group is in the process of applying for land use right certificates from the relevant PRC government authorities for certain parcels of land located in the PRC acquired during the year. The net book value of the underlying leasehold land prepayments was US$2,382,000 as at 31 December 2007.

15. Deferred tax

The movement of deferred tax asset and liability during the year is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Deferred tax asset – provisions for obsolete inventories		
Opening balance	**47**	–
Deferred tax charged to the income statement during the year (Note 9)	**146**	47
	193	47
Deferred tax liability – deductible temporary differences related to depreciation of property, plant and equipment		
Opening balance	**–**	–
Deferred tax charged to the income statement during the year (Note 9)	**313**	–
	313	–

At 31 December 2007, the Group did not recognise any deferred tax asset in respect of its tax losses as disclosed below:

	Group	
	2007	2006
	US$'000	US$'000
Tax losses	**664**	393

16. Investments in subsidiaries

	Company
	2007
	US$'000
Unlisted shares, at cost	**69,463**

Particulars of the Company's subsidiaries are disclosed in note 1.

17. Inventories

	Group	
	2007	2006
	US$'000	US$'000
Raw materials	**16,432**	15,907
Finished goods	**6,742**	6,056
	23,174	21,963

18. 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 to 120 days. Trade receivables are non-interest-bearing. As at 31 December 2007, the Group's risk that arises from exposure to the top five debtors amounted to US$166,570,000 (2006: US$75,991,000).

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

	Group	
	2007	2006
	US$'000	US$'000
Within 90 days	**128,381**	79,018
Between 91 days to 180 days	**39,532**	8,154
Between 181 days to 365 days	**427**	63
	168,340	87,235

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Neither past due nor impaired	**167,470**	87,235
Less than 30 days past due	**2**	–
Between 31 to 90 days past due	**–**	–
Between 91 to 180 days past due	**474**	–
Between 181 days to 365 days past due	**394**	–
	168,340	87,235

Receivables that were neither past due nor impaired related to about thirty customers for whom there was no recent history of default.

18. Trade receivables *(continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of those customers and that the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. Prepayments, deposits and other receivables

	Group		Company
	2007	2006	**2007**
	US$'000	US$'000	**US$'000**
Trade receivables discounted to banks	**4,422**	7,594	**–**
Rental and other deposits	**575**	116	**–**
Prepayments	**1,034**	853	**–**
Dividend receivable	**–**	–	**8,975**
Others	**254**	379	**52**
	6,285	8,942	**9,027**

As at 31 December 2007 and 2006, trade receivables discounted to banks were non-recourse.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. Due from a related company and the ultimate holding company

	Group	
	2007	2006
	US$'000	US$'000
Trade balances with:		
(i) A related company:		
Taiwan Surface Mounting Technology Company Limited	**–**	68
(ii) The ultimate holding company:		
TSMT Taiwan	**–**	1,171

Trade balances with the related parties are unsecured and interest-free, aged more than 30 days but less than 180 days, and have no fixed terms of repayment.

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21. Cash and bank balances

	Group		Company
	2007	2006	**2007**
	US$'000	US$'000	**US$'000**
Cash on hand	**88**	87	–
Cash at banks, unrestricted	**49,190**	12,966	**21,299**
Time deposits with initial term of more than three months	**3,990**	2,561	–
Pledged bank balances	**722**	1,001	–
	53,990	16,615	**21,299**

As at 31 December 2007, cash at banks of approximately US$722,000 (2006: US$1,001,000) was pledged to the relevant PRC customs authorities as trade processing deposits. In the preparation of the Group's consolidated cash flow statement, pledged bank balances have been excluded from cash and cash equivalents. The weighted average effective interest rate on pledged bank deposits was 0.81% per annum for the year ended 31 December 2007 (2006: 0.72%).

As at the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately US$15,475,000 (2006: US$7,439,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for periods of less than three months depending on the immediate cash requirements, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents and the pledged deposits approximate to their fair values.

22. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	US$'000	US$'000
Outstanding balances with ages:		
Within 90 days	**100,350**	58,695
Between 91 to 180 days	**50,805**	30,745
Between 181 to 365 days	**56**	6
Between 1 to 2 years	**1**	9
	151,212	89,455

Trade payables are non-interest-bearing and are generally on terms of 30 to 150 days.

23. Accruals and other payables

	Group		Company
	2007	2006	**2007**
	US$'000	US$'000	**US$'000**
Wages, salaries and welfare expenses	**4,604**	3,502	**15**
Accrued expenses	**1,682**	732	**231**
Payables for purchases of consumables	**1,055**	396	**–**
Value-added tax payables	**174**	205	**–**
Others	**999**	466	**2**
	8,514	5,301	**248**

24. Interest-bearing bank and other borrowings

		Group	
		2006	2005
	Notes	**US$'000**	US$'000
Bank loans:	(i)		
Secured		**–**	1,392
Unsecured		**12,891**	1,290
		12,891	2,682
Other borrowings:	(ii)		
Unsecured		**–**	5,051
		–	5,051
Total		**12,891**	7,733
Repayable:			
Within one year		**12,891**	7,293
In the second year		**–**	440
		12,891	7,733
Portion classified as current liabilities		**(12,891)**	(7,293)
Long-term portion		**–**	440

Notes:

		Group	
		2007	2006
		US$'000	US$'000
(i)	Bank loans		
	Secured by:		
	Property, plant and equipment	**–**	1,392
(ii)	Other borrowings		
	Borrowings from financial institutions	**–**	5,051

24. Interest-bearing bank and other borrowings *(continued)*

The Group's bank loans bear interest at rates ranging from 1.12% to 5.98% (2006: 5.58% to 6.35%) per annum. The Group's other borrowings bore interest at rates ranging from 4.50% to 5.93% per annum as at 31 December 2006.

The Group's bank and other borrowings amounting to US$6,350,000 and US$6,541,000 are denominated in US$ and Japanese Yen, respectively (2006: US$7,350,000 and US$383,000 denominated in US$ and Renminbi, respectively).

The carrying amounts of the Group's interest-bearing bank and other borrowings approximate to their fair values.

As at 31 December 2007, the Group's bank loan facility of US$5,000,000 (2006: US$4,000,000) bears interest at LIBOR plus 0.45% per annum (2006: LIBOR plus 1.20% per annum). The loan facility is unsecured and not utilised by the Group as at 31 December 2007.

25. Finance lease payables

The Group leases certain of its plant and machinery for its electronic products business. These leases are classified as finance leases and have remaining lease terms ranging from two years and two months to two years and five months.

At 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable:				
Within one year	**900**	852	**710**	608
In the second year	**889**	842	**778**	664
In the third to fifth years, inclusive	**253**	1,069	**228**	941
Total minimum finance lease payments	**2,042**	2,763	**1,716**	2,213
Future finance charges	**(326)**	(550)		
Total net finance lease payables	**1,716**	2,213		
Portion classified as current liabilities	**(710)**	(608)		
Non-current portion	**1,006**	1,605		

26. Due to a related company and the ultimate holding company

	Group 2007 US$'000	Group 2006 US$'000
(i) A related company:		
Trade payables to Taiwan Surface Mounting Technology Company Limited	–	6,744
(ii) The ultimate holding company:		
Trade payables to TSMT Taiwan	**4,521**	2,969

The trade balances with all related parties aged less than 180 days.

All balances due to related parties are unsecured, interest-free and have no fixed terms of repayment.

27. Share capital

Details of the Company's share capital as at 31 December 2007 are as follows:

	US$'000
Authorised – 5,000,000,000 shares of HK$0.01 each	6,410
Issued and fully paid – 1,000,000,000 shares of HK$0.01 each	1,282

The following changes in the Company's authorised and issued share capital and share premium account took place during the period from 9 August 2006 (date of incorporation) to 31 December 2007:

	Notes	**Number of ordinary shares of HK$0.01 each**	**Nominal value of ordinary shares** US$'000
Authorised:			
Upon incorporation	(a)	38,000,000	49
Increase in authorised share capital	(b)	4,962,000,000	6,361
As at 31 December 2007		5,000,000,000	6,410

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27. Share capital *(continued)*

	Notes	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares US$'000
Issued and fully paid:			
Allotted and issued at nil paid	(c)	10	–
On acquisition of Regent BVI			
New issuance of shares	(d)	30,546	–
Capitalisation issue as a result			
of the issuance of new shares	(e)	749,969,444	961
		750,000,000	961
Issue of new shares	(f)	250,000,000	321
As at 31 December 2007		1,000,000,000	1,282

Notes:

(a) Upon incorporation of the Company on 9 August 2006, the authorised share capital of the Company was HK$380,000 (equivalent to approximately US$49,000) divided into 3,800,000 shares of HK$0.10 each. On 13 December 2006, each ordinary share of par value of HK$0.10 in the authorised share capital of the Company was subdivided into 10 shares of par value of HK$0.01 each. All shares and per share amounts presented in the consolidated financial statements have been revised on a retroactive basis to give effect to the subdivision.

(b) Pursuant to the resolutions in writing of the shareholders passed on 19 June 2007, the Company increased its authorised share capital from HK$380,000 (equivalent to approximately US$49,000) to HK$50,000,000 (equivalent to approximately US$6,410,000) by the creation of an additional 4,962,000,000 shares of HK$0.01 each.

(c) On 13 December 2006, 10 shares of HK$0.01 each were allotted and issued at par.

(d) Pursuant to the written resolutions of the sole shareholder of the Company passed on 12 February 2007 and the Reorganisation, 30,546 new shares of HK$0.01 each were further allotted and issued, credited as fully paid at par, in consideration of and in exchange for the acquisition of the entire issued share capital of Regent BVI.

(e) Pursuant to the written resolution of all shareholders passed on 19 June 2007, an aggregate of 749,969,444 shares of HK$0.01 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of a sum of HK$7,499,694 (equivalent to approximately US$961,000) from the share premium account to the then existing shareholders of the Company, whose names appeared in the register of members of the Company on 19 June 2007, in proportion to their respective shareholdings as a result of the issuance of new shares to the public in connection with the Company's initial public offering on The Stock Exchange.

(f) In connection with the Company's initial public offering, 250,000,000 shares of HK$0.01 each were issued at a price of HK$1.68 per share for a total cash consideration, before expenses, of HK$420,000,000 (equivalent to approximately US$53,846,000).

As at 31 December 2006, the Reorganisation was not completed, accordingly, the issued share capital of the Group as at 31 December 2006 represented the issued capital of Regent HK.

28. Reserves

(a) Statutory reserve fund

In accordance with the Company Law of the PRC and the articles of association of the Group's subsidiaries established in the PRC, each of the Group's subsidiaries is required to set aside 10% of its statutory net profit for the year, after offsetting any prior years' accumulative losses as determined in accordance with PRC GAAP, to the statutory surplus reserve fund before distributing their net profit. When the balance of this reserve of each PRC subsidiary reaches 50% of its share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year's losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the PRC subsidiary's share capital after such issuance.

(b) Capital reserve

Capital reserve of the Group represents the difference in nominal value of share capital issued by the Company to acquire Regent HK (through Regent BVI) and the issued share capital of Regent HK pursuant to the Reorganisation completed on 12 February 2007 (note 1).

(c) Reserves of the Company

	Note	Share premium account US$'000	Capital reserve US$'000	Retained profits US$'000	Proposed final dividend US$'000	Total US$'000
Balance at 1 January 2007		–	–	–	–	–
Capital reserve arising from the Reorganisation		–	39,363	–	–	39,363
Issue of shares		53,525	–	–	–	53,525
Share issue expenses		(2,673)	–	–	–	(2,673)
Capitalisation issue		(961)	–	–	–	(961)
Profit for the year		–	–	18,023	–	18,023
Interim 2007 dividend	11	–	–	(9,018)	–	(9,018)
Proposed final dividend	11	–	–	(8,975)	8,975	–
At 31 December 2007		49,891	39,363	30	8,975	98,259

29. Share-based payments

(a) Share option scheme of the ultimate holding company

The Group received a share option scheme from TMST Taiwan, its ultimate holding company, for the purpose of providing incentive and rewards to eligible participants who contribute to the success of the Group's operations. 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.

The share options 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 shares on the date of grant of share options.

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

29. Share-based payments *(continued)*

(a) Share option scheme of the ultimate holding company *(continued)*

The following share options were outstanding under the share option scheme of TSMT Taiwan during the year:

	2007		2006	
	Weighted average exercise price US$ per share	**Number of options '000**	Weighted average exercise price US$ per share	Number of options '000
At 1 January	**0.38**	**771**	0.49	1,226
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**0.31**	**(385)**	0.38	(455)
Expired during the year	**–**	**–**	–	–
At 31 December	**0.31**	**386**	0.38	771

The weighted average share price at the date of exercise for the share options exercised during the year was US$2.26 (2006: US$2.32).

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2007

Number of options '000	**Exercise price* US$ per share**	**Exercise period**
386	**0.31**	**26-12-2007 to 26-12-2008**

2006

Number of options '000	Exercise price* US$ per share	Exercise period
385	0.38	26-12-2006 to 26-12-2008
386	0.38	26-12-2007 to 26-12-2008
771		

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

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31 December 2007

29. Share-based payments *(continued)*

(a) Share option scheme of the ultimate holding company *(continued)*

The fair value of the share options granted on 26 December 2003 was US$0.16 each. The basis of the valuation was carried out by Sallmanns (Far East) Limited, 22nd Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

The fair value of the equity-settled share options granted on 26 December 2003 was estimated at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table summarised the inputs to the model used for the estimation of the fair value of 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 (US$)	0.49

The expected life of share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

As at 31 December 2007, the Group recorded share-based payment expenses in relation to the share options of TSMT Taiwan granted to employees of the Group (including certain directors of the Company) of approximately US$14,000 (2006: US$31,000).

29. Share-based payments *(continued)*

(b) Share reward programme

On 15 December 2006, Regent HK, a wholly-owned subsidiary of the Group, issued 6,180,000 ordinary shares of HK$1 each to certain directors of the Company and certain employees of the Group in rewarding their past contribution to the success of the Group's operations. Each share is issued at par value of HK$1 for a total consideration of approximately US$796,000.

The estimated fair value of the shares is calculated using the market approach.

A comparative technique is employed for the market approach to estimate the fair value of the shares issued. The fair value of the Company's shares is developed by applying the average between price-to-earnings ratios and price-to-book ratios of certain public companies comparable to the Company's earnings after taking into account the illiquidity of the shares of the Company, being a privately held company.

The following table summarised the inputs into the approach used in the estimation of the fair value of the Company's shares:

Industrial price-to-earnings ratio	5.76
Industrial price-to-book ratio	1.31
Discount for lack of illiquidity	40%

The fair value of the share reward programme has been arrived at on the basis of valuation carried out by Deloitte & Touche, 12th Floor, Hung-Tai Plaza, 156 Min Sheng East Road, Sec. 3, Taipei 105, Taiwan.

For the year ended 31 December 2006, the Group recorded a share-based payment expense of US$676,000, representing the difference between the fair value of the Company's shares issued and the consideration paid by the director and employees participating in the programme. The Group did not issue any share to its employees under the programme during the year ended 31 December 2007.

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30. Pledge of assets

Details of the Group's pledged bank balances are disclosed in note 21.

31. Operating lease arrangements

The Group leases certain of its office properties and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 6 months to 4 years, and those for machinery 4 years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	US$'000	US$'000
Within one year	**1,247**	352
In the second to fifth years, inclusive	**2,286**	770
	3,533	1,122

32. Commitments

Capital commitments

In addition to the operating lease commitments detailed in note 31, the Group had the following commitments at the respective balance sheet dates:

	Group	
	2007	2006
	US$'000	US$'000
Contracted, but not provided for:		
Purchases of plant and machinery	**103**	81
Construction of buildings	**2,533**	2,055
Capital injection to certain the PRC subsidiaries	**22,500**	24,000

33. Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Group	
	2007	2006
	US$'000	US$'000
Purchases of raw materials from (note (i)):		
TSMT Taiwan	**5,284**	3,648
Purchases of goods from (note (i)):		
TSMT Taiwan	**6,904**	2,441

Notes:

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

Pursuant to an undertaking provided by Wu Kai-Yun, a director and shareholder of the Company, Mr. Wu agreed to compensate the Group for certain PRC individual income tax liabilities incurred by certain non-PRC employees of the Group upon actual payment of these liabilities to the PRC tax bureau. As at 31 December 2007, individual income tax liabilities amounting to US$1,577,000 have been recorded in the Group's financial statements.

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34. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follow:

Financial assets

	Loans and receivables		
	Group		Company
	2007	2006	**2007**
	US$'000	US$'000	**US$'000**
Trade receivables	**168,340**	87,235	**–**
Financial assets included in prepayments, deposits and other receivables	**4,676**	7,973	**9,027**
Due from a related company	**–**	68	**–**
Due from the ultimate holding company	**–**	1,171	**–**
Cash and bank balances	**53,990**	16,615	**21,299**
	227,006	113,062	**30,326**

Financial liabilities

	Financial liabilities at amortised cost		
	Group		Company
	2007	2006	**2007**
	US$'000	US$'000	**US$'000**
Trade payables	**151,212**	89,455	**–**
Financial liabilities included in accruals and other payables	**8,340**	5,096	**248**
Finance lease payables	**1,716**	2,213	**–**
Interest-bearing bank and other borrowings	**12,891**	7,733	**–**
Due to a related party	**–**	6,744	**–**
Due to the ultimate holding company	**4,521**	2,969	**–**
	178,680	114,210	**248**

35. Financial risk management objectives and policies

Financial assets of the Group mainly include cash and cash equivalents, pledged bank deposits, trade receivables, deposits and other receivables, tax recoverable, amounts due from related parties. Financial liabilities of the Group include trade and other payables, finance lease payables, amounts due to related parties and interest-bearing bank and other borrowings.

The main financial risks faced by the Group are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Approximately 2% (2006: 1%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, while almost 11% (2006: 10%) of costs are denominated in currencies other than the units' functional currency.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities):

	Increase/ (decrease) in US$ Rate	**Increase/ (decrease) in profit before income tax**
	%	US$'000
2007		
If United States dollar weakens against Renminbi	**5**	**268**
If United States dollar strengthens against Renminbi	**(5)**	**(268)**
2006		
If United States dollar weakens against Renminbi	5	418
If United States dollar strengthens against Renminbi	(5)	(418)

35. Financial risk management objectives and policies *(continued)*

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before income tax**
	%	US$'000
2007		
United States dollar	**5**	**(111)**
United States dollar	**(5)**	**111**
Japanese Yen	**5**	**(52)**
Japanese Yen	**(5)**	**52**
2006		
United States dollar	5	(74)
United States dollar	(5)	74

Credit risk

The Group's exposure to credit risk arises through their trade receivables. Management has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis through reviews of receivables. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has arrangements with banks to discount certain of its trade receivables (non-recourse) to minimise its credit risk. At the balance sheet date, the Group has significant concentration of credit risk that may arise from the exposure to five debtors which accounted for approximately 99% (2006: 87%) of the Group's total trade receivables as at 31 December 2007. The maximum exposure to credit risk of the Group is represented by the carrying amount of trade receivables presented in the consolidated balance sheet. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables is disclosed in note 18 to the financial statements.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. At the balance sheet date, the Group has significant concentration of credit risk that may arise from the exposure to five banks which accounted for approximately 95% (2006: 89%) of the Group's total cash and cash equivalents as at 31 December 2007.

35. Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows:

	Group					Company
	2007					2007
	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Total US$'000	On demand US$'000
Finance lease payables	–	237	473	1,006	1,716	–
Interest-bearing bank and other borrowings	–	7,891	5,000	–	12,891	–
Trade payables	21,141	103,464	26,607	–	151,212	–
Accruals and other payables	6,782	1,558	–	–	8,340	248
Due to the ultimate holding company	–	4,521	–	–	4,521	–
	27,923	117,671	32,080	1,006	178,680	248

	Group 2006				
	On demand US$'000	Less than 3 months US$'000	3 to less than 12 months US$'000	1 to 5 years US$'000	Total US$'000
Finance lease payables	–	231	377	1,605	2,213
Interest-bearing bank and other borrowings	–	3,830	3,463	440	7,733
Trade payables	10,454	79,001	–	–	89,455
Accruals and other payables	4,303	793	–	–	5,096
Due to a related company	–	6,744	–	–	6,744
Due to the ultimate holding company	–	2,969	–	–	2,969
	14,757	93,568	3,840	2,045	114,210

35. Financial risk management objectives and policies *(continued)*

Fair values

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt interest-bearing bank and other borrowings, trade payables, accruals and other payables, less cash and bank balances. Capital includes equity attributable to equity holders.

35. Financial risk management objectives and policies *(continued)*

Capital management *(continued)*

The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007	2006
	US$'000	US$'000
Interest-bearing bank and other borrowings	**12,891**	7,733
Finance lease payables	**1,716**	2,213
Trade payables	**151,212**	89,455
Accruals and other payables	**8,514**	5,301
Tax payable	**3,475**	1,052
Due to a related company	**–**	6,744
Due to the ultimate holding company	**4,521**	2,969
Less: Cash and cash equivalents	**(49,278)**	(13,053)
Net debt	**133,051**	102,414
Equity attributable to equity holders	**162,320**	79,804
Capital and net debt	**295,371**	182,218
Gearing ratio	**45%**	56%

36. Post balance sheet event

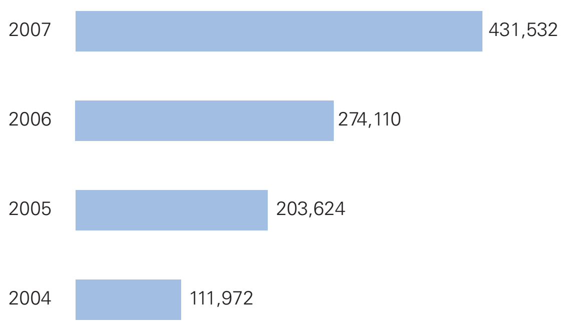
On 28 January 2008, Regent Electron (Chengdu) Co., Ltd. ("Regent Chengdu"), a wholly foreign-owned enterprise in the PRC was established by Regent HK. The registered capital of Regent Chengdu is US$17,000,000. The principal activities of Regent Chengdu are the manufacture and sale of electronic products and the provision of subcontracting services.

37. Approval of financial statements

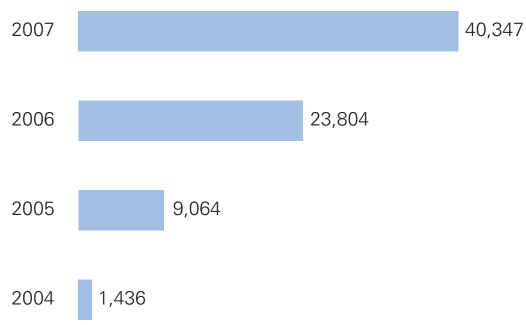
The financial statements were approved and authorised for issue by the board of directors on 25 February 2008.

Financial Summary

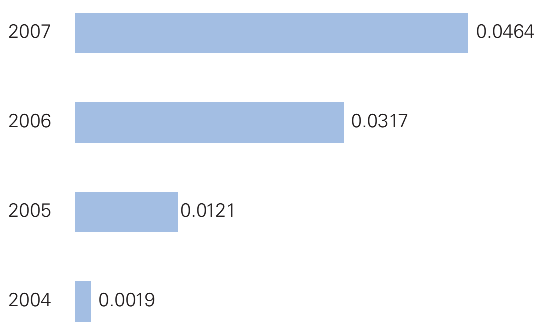
Revenue (US$'000)



Net Profit (US$'000)



Earnings per share (US$)



Net Assets (US$'000)