峻凌國際控股有限公司

Regent Manner International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

REFLECTION OF QUALITY

Stock Code: 1997

Annual Report 2008

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

Auditor

Ernst & Young
Certified Public Accountants

Principal bankers

Standard Chartered Bank (Hong Kong) Limited

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 sales revenue and net profit of Regent Manner International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year amounted to approximately US$456,272,000 and US$36,774,000 respectively. Thanks to our outstanding performance in the first half of 2008, the Group managed to achieve a sales growth of 5.7% from previous year despite the impact of global economic slowdown and a sharp reduction of orders received from customers in the fourth quarter of 2008. However, owing to overall increase in operating expenses as a result of an expanded production scale as well as write-down on assets under current financial policy, net profit for the year recorded a moderate decrease of 8.9%.

The board of directors (the "Board") of the Company recommended a final dividend of HK$0.065 per share for the year ended 31 December 2008, amounting to HK$65,000,000 (equivalent to approximately US$8,387,000). Including the interim dividend of HK$0.085 per share paid to shareholders on 30 September 2008, the total dividend paid to shareholders in respect of the year ended 31 December 2008 will be HK$0.15 per share, bringing a dividend payout ratio of 52.5% (2007: 45%).

During the past few months, global credit crunch as well as economic slowdown in Europe and U.S. continued to affect global business environment. To stay competitive, the Group has adopted all necessary measures to strengthen its risk management and cost control. In respect of capital expenditures on production equipment, we will focus on the actual needs of our major customers to avoid any risks arising from excessive investment.

Through flexible adjustment of our capital expenditure and marketing strategies, the Group has successfully brought down the negative impacts associated with market change. By slowing down our capital projects, the proceeds raised from initial public offering will be placed with licensed banks in Hong Kong or used as working capital of the Group to reduce the cost of bank borrowings. On the other hand, the Group will strive to enhance the flexibility and efficiency of its sales and marketing function, with an aim to satisfy the operation needs of its major customers and capture more business opportunities. The Group will further implement various systematic management, streamline its internal logistics operation procedures and operation mode to centralize resource management and enhance cost efficiency.

The Group has been committed to improving its production process, enhancing its production efficiency and technological capability so as to explore new markets and opportunities for its high technology products in due course. Meanwhile, the Group will actively explore new products and new customers, strengthen supply chain management and foster customer relations, deepen collaboration with international brand to speed up the development of the Group.

In future, the Group will continue to strengthen our operational resilience and efficiency and increase customer satisfaction. The Group will also establish a set of emergency strategies to cope with any change in the external competitive environment, rules and regulations or in the overall economic operating environment to ensure our long term competitive edge.

In the long term, it is expected that the thin-film transistor liquid crystal display ("TFT-LCD") panels sector, benefited from the growing market demand for LCD products, will achieve a healthy growth. With a team of experienced staff, we believe when the economy stabilizes and business starts to pick up, the Group will continue to maintain its leading position in the industry, achieve business growth and bring profitable return to its shareholders.

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 includes materials procurement and management, process engineering design, SMT processing, quality assurance, logistics management and after-sales services. The Company's shares were listed on the Main Board of the Stock Exchange on 10 July 2007.

Business and Financial Review

Revenue

Despite the drastic decrease of orders from our customers in the fourth quarter of 2008 as affected by the economy downturn, the Group recorded a revenue of approximately US$456,272,000 for the year (2007: approximately US$431,532,000), representing a growth of approximately 5.7% over the previous year on the strength of its outstanding performance in the first half of the year.

Gross Profit

During the year ended 31 December 2008, a write down of inventories to the net realizable value amounted to approximately US$5,252,000 were made, resulting to a gross profit of approximately US$55,664,000 for the year ended 31 December 2008 (2007: approximately US$55,405,000). As a result of the above provision for inventory, overall gross profit margin for the year reduced from approximately 12.8% in the previous year to approximately 12.2% in 2008.

Net Profit

The net profit for the year was approximately US$36,774,000 (2007: approximately US$40,347,000), representing approximately 8.9% decrease over the previous year. It was mainly due to (i) increase of administrative expenses as a result of the increase of production scale; (ii) the written off of equipment of an existing plant in Suzhou; and (iii) the increase of income tax resulted from the increase of effective tax rate. Therefore, the net profit margin reduced from approximately 9.3% in 2007 to approximately 8.1% in 2008.

Liquidity and Financial Resources

As at 31 December 2008, the Group's net current assets was approximately US$81,955,000 (2007: approximately US$72,077,000 which consisted of current assets amounting to approximately US$216,591,000 (2007: approximately US$253,400,000) and current liabilities amounting to approximately US$134,636,000 (2007: approximately US$181,323,000). The current ratio, defined as current assets over current liabilities, increased from 1.4 times as at 31 December 2007 to 1.6 times as at 31 December 2008.

Management Discussion and Analysis

As at 31 December 2008, the unsecured bank loan repayable within one year was approximately US$12,837,000 (2007: approximately US$12,891,000). As at 31 December 2008, the Group has no other bank loans and borrowings repayable beyond one year (2007: Nil).

The gearing ratio, defined as total borrowings (other than payables in ordinary course of business) over total equity, as at 31 December 2008 was approximately 15.4%, reduced from approximately 19.4% as at 31 December 2007.

As at 31 December 2008, the cash and bank balances (including pledged bank deposits) amounted to approximately US$83,928,000 (2007: approximately US$53,990,000).

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 were used for hedging such risk.

Capital Expenditure

The Group invested approximately US$18,476,000 during the year ended 31 December 2008 in construction of factory premises, purchase and installation of plant machinery, equipment and other tangible assets, as compared to approximately US$39,537,000 in 2007. These capital expenditures were fully financed by the proceeds from the placing and public offer of the Company's shares on 10 July 2007 (the "Share Offer"), internal resources of the Group and bank borrowings.

Capital Commitments and Contingent Liabilities

As at 31 December 2008, the future capital commitments for which the Group had contracted but not provided for amounted to approximately US$34,420,000 (2007: approximately US$25,136,000). Save for the above, the Group had no significant contingent liabilities.

Pledge of Assets

As at 31 December 2008, cash at bank amounted to approximately US$615,000 was pledged to relevant PRC custom authorities (2007: approximately US$722,000) as trade processing deposits.

Management Discussion and Analysis

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 2008, the Group had 4,940 employees. The total salaries and related cost for the year ended 31 December 2008 amounted to approximately US$18,865,000 (2007: approximately US$15,353,000).

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 programme and the scheme are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

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 at the same pace with its 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 will continue to expand its business by (1) installing additional SMT production lines mainly in Ningbo, Suzhou and Xiamen to strengthen the production capability; (2) launching new products such as LED light bar to meet new application demand in the TFT-LCD panel industry; (3) capturing business opportunities from new customers; and (4) setting up production premises in the northern and central part of the PRC to broaden the business platform of the Group.

Looking ahead to the foreseeable future, the global economy downturn and credit crunch will continue to affect the global business environment. To stay competitive, the Group has taken necessary measures to enhance its risk management and cost control. In respect of the capital expenditure on production facilities, it will be based on the actual demand from the major customers in order to avoid risk of over-investment.

The Group successfully minimize the adverse effect caused by the market change through flexibly adjusting capital expenditure and sales strategies. The use of proceeds from the Share Offer saved from the slow down of capital projects will either be deposited with the financial institutions in Hong Kong or be used as working capital of the Group to minimize the borrowings from banks.

In the long run, the TFT-LCD industry is expected to exhibit steady growth driven by growing market demand for LCD products. With the positive momentum to be resumed gradually after the recovery of economy, the Group's management is confident that its business will continue to grow in the 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 49, is the chairman of the Company (the "Chairman") and a non-executive Director. Mr. Wu is involved in the formulation of business strategies and corporate directions for the Group. He is also an executive director of TSMT Taiwan, a company listed on the GreTai Securities Market in Taiwan. 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 25 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 39, is an executive Director, the chief executive officer (the "CEO") 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 16 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 32, is an executive Director and the chief marketing officer (the "CMO") 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 31, has been appointed as executive Director and chief financial officer (the "CFO") 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 43, 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 was 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 Sun International Group Limited (formerly known as Galileo Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange, and is currently 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 46, 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 35, 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..

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 of the Company (the "Directors") confirm, to the best of their knowledge, during the year ended 31 December 2008, the Group has complied with the Code on Corporate Governance Practice (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' securities transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. 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 2008.

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 12 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 2008. Additional board meetings were held when necessary. At least 14 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 12 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 who is responsible for the effectiveness of operation of the Board and Wu Kai-Hsiung is 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. During the year, eight independent board meetings were held and the attendance of each director is set out in the attendance table on page 12 of this annual report.

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 (the "Articles of Association") adopted on 19 June 2007 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, three remuneration committee meetings were held and the attendance of each member is set out in the attendance table on page 12 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 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.

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") 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, two remuneration committee meetings were held and the attendance of each director is set out in the attendance table on page 12 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") 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, five audit committee meetings were held and the attendance of each Director is set out in the attendance table on page 12 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 2008 set out below:

	Fee paid/payable Approximately US$'000
Service rendered	
Audit fee for 2008 annual audit	380
Non audit service	–
Total	380

Attendance of meetings

		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	7/7				
Han Min	CMO	7/7				
Tseng Yu-Ling	CFO	7/7	8/8			
Non-executive Director						
Wu Kai-Yun	Chairman	7/7				
Independent non-executive Directors						
Kwok Kwan Hung		6/7	8/8	3/3	2/2	5/5
Wang Mie-Nan		6/7	8/8	3/3	2/2	5/5
Lin Yen-Yu		5/7	6/8	3/3	2/2	4/5

Corporate Governance Report

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 2008, 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 20 clear business 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.

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 2008.

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 2008 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 2008.

Results and dividends

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 27 of this annual report.

During the year, the Company paid an interim dividend of HK$0.085 (2007: HK$0.07) per share amounting to HK$85,000,000 (equivalent to approximately US$10,901,000) on 30 September 2008.

The Board recommends the payment of a final dividend of HK$0.065 (2007: HK$0.07) per share amounting to HK$65,000,000 (equivalent to approximately US$8,387,000) in respect of the year ended 31 December 2008. The final dividend is subject to the approval at the forthcoming annual general meeting of the Company to be held on 19 May 2009 and is expected to be paid on or around 23 June 2009.

Total dividend for the year amounted to HK$0.15 (2007: HK$0.14) per share. The details of dividends proposed for the year are set out in note 11 to the financial statements.

Closure of Register of Members

The register of members will be closed from 15 May 2009 to 19 May 2009, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 14 May 2009.

Report of the Directors

Financial summary

A summary of the published consolidated results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 92 of this annual report. The summary does not form part of the audited financial statements.

Major customers and suppliers

During the year, revenue attributable to the Group's five largest customers and the Group's largest customer were 93% and 53% 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 33% and 10% 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 approximately US$72,000.

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 2008, the Company's reserves available for distribution to shareholders comprised the retained profits amounted to US$8,911,000. 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.

Report of the Directors

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

Non-executive Director:

Wu Kai-Yun *(Chairman)*

Independent non-executive Directors:

Kwok Kwan Hung
Wang Mie-Nan
Lin Yen-Yu

In accordance with the Articles of Association, 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 to 8 of this annual report.

Independent non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three 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 has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code. The Audit Committee will meet at least four times each year with the 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 2008.

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 2008, 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 2008, 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 were as follows:

Report of the Directors

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%
Wu Kai-Yun	TSMT Taiwan	Personal	7,835,841 ordinary shares	4.69%
Wu Kai-Yun	TSMT Taiwan	Family *Note 1*	7,999,801 ordinary shares	4.78%
Wu Kai-Hsiung	TSMT Taiwan	Personal	1,000,601 ordinary shares	0.60%
Wa Kai-Hsiung	TSMT Taiwan	Family *Note 2*	147,220 ordinary shares	0.09%
Tseng Yu-Ling	TSMT Taiwan	Personal	79,053 ordinary shares	0.05%
Wu Kai-Yun	TSMT BVI, TSMT HK, TSMT USA, High-Toned, and Hitop	Personal & Family *Note 1*	*Note 3*	*Note 3*
Wu Kai-Hsiung	TSMT BVI, TSMT HK, TSMT USA, High-Toned, and Hitop	Personal & Family *Note 2*	*Note 3*	*Note 3*
Tseng Yu-Ling	TSMT BVI, TSMT HK, TSMT USA, High-Toned, and Hitop	Personal	*Note 3*	*Note 3*

Notes:

1. The relevant shares were held by 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 Taiwan Surface Mounting Technology (B.V.I.) Co., Limited ("TSMT BVI"), Taiwan Surface Mounting Technology Co., Limited ("TSMT HK"), Taiwan Surface Mounting Technology (U.S.A.) Co., Ltd. ("TSMT USA"), High-Toned Opto Technology Corp. ("High-Toned") and HITOP Communication Corp. ("Hitop"). The Relevant Directors are deemed to be interested in these associated corporations by virtue of their interests in TSMT Taiwan.

Save as disclosed above, as at 31 December 2008, 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 2008, 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.

Report of the Directors

Save as disclosed above, as at 31 December 2008, 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.

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
for the year ended 31 December 2008:	US$10.3 million

The actual aggregate value of the transactions for the year ended

31 December 2007:	US$6.9 million
31 December 2008:	US$0.8 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
for the year ended 31 December 2008:	US$10.9 million

The actual aggregate value of the transactions for the year ended

31 December 2007:	US$5.3 million
31 December 2008:	US$3.5 million

Report of the Directors

C. A supply agreement was entered into between TSMT Taiwan and Regent Manner Limited (for itself and on behalf of its subsidiaries) regarding the Group's sales of finished goods to TSMT Taiwan (the "Supply Agreement").

Date of agreement: 23 September 2008

Covenant Parties: (i) TSMT Taiwan, a controlling shareholder of the Company and a connected person of the Company

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

Object: Some of the current key customers of Regent Manner Limited have repatriated part of their productions bases back to Taiwan and request TSMT Taiwan to supply finished goods to them in Taiwan. In order for TSMT Taiwan to capture the business opportunities from some of the current key customers, and on the basis of not to invest significant initial cost and time on enhancing production capacity in Taiwan to meet such additional orders, TSMT Taiwan assigned the orders to Regent Manner Limited and its subsidiaries (the "Regent HK Group") at the same price and terms as TSMT offered to relevant customers to (i) secure quality assurance; (ii) make good use of the unutilized production capacity in the PRC which was originally established by the Regent HK Group for the relevant customers.

Terms: 23 September 2008 to 31 December 2010

Waiver granted by the Stock Exchange in respect of the annual cap on the agreement value of the transactions for the year ended 31 December 2008:	US$15.0 million
The actual aggregated value of the transactions for the year ended 31 December 2008:	US$0.7 million

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.

The transactions under the Supply Agreement have been disclosed in the announcement dated 25 September 2008 and were approved by the shareholders of the Company on the extraordinary shareholders' meeting held on 27 October 2008.

Pursuant to the conditions of the waiver granted by the Stock Exchange in relation to the Purchase Agreement, the Procurement Agreement and the Supply 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 above continuing connected transactions for the year ended 31 December 2008 (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 the announcement of the Company dated 25 September 2008 respectively and approved by the Stock Exchange.

D. During the year ended 31 December 2008, continuing connected transactions had been conducted between Regent HK Group and Hitop which involved the supply of finished goods by Regent HK Group to Hitop in the ordinary and usual course of business (the "Past Continuing Connected Transaction"). The Past Continuing Connected Transaction was only subject to reporting, announcement requirement, but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the Past Continuing Connected Transaction were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms which are no less favourable to the Group than terms available from the independent third parties; and (iii) fair and reasonable and in the interest of the shareholders of the Company as a whole.

As (i) no written agreement in relation to the Past Continuing Connected Transaction was entered; (ii) no annual caps in respect of the Past Continuing Connected Transaction for the financial year ended 31 December 2008 were disclosed by the Company previously; and (iii) no resolutions of the Board in relation to the agreement and the annual caps of the Past Continuing Connected Transaction were passed, the auditors were unable to confirm the matter as required under Rule 14A.38 of the Listing Rules.

Non-competition undertakings

The Company has confirmed that the undertakings contained in the deed of non-competition dated 19 June 2007 (the "Non-Competition Deed") given by TSMT Taiwan in favour of the Company have been complied with and enforced. The Company has received a declaration made by TSMT Taiwan that TSMT Taiwan has complied with the terms of the Non-Competition Deed during the year ended 31 December 2008.

Report of the Directors

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 2008.

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, 3 April 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

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 27 to 91, which comprise the consolidated and company balance sheets as at 31 December 2008, 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.

Independent Auditors' Report

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 2008, 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
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

3 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 US$'000	2007 US$'000
REVENUE	4	**456,272**	431,532
Cost of sales		**(400,608)**	(376,127)
Gross profit		**55,664**	55,405
Other income and gain	4	**4,065**	3,054
Selling and distribution costs		**(770)**	(1,162)
Administrative expenses		**(13,180)**	(10,760)
Other expenses		**(2,219)**	(582)
Finance costs	5	**(1,269)**	(1,115)
PROFIT BEFORE INCOME TAX	6	**42,291**	44,840
Income tax	9	**(5,517)**	(4,493)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10	**36,774**	40,347
DIVIDENDS	11		
Interim		**10,901**	9,018
Proposed final		**8,387**	8,975
		19,288	17,993
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**US$0.0368**	US$0.0464

Consolidated Balance Sheet

31 December 2008

	Notes	2008 US$'000	2007 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**90,494**	84,146
Leasehold land prepayments	14	**7,775**	7,223
Deferred tax assets	15	**651**	193
Total non-current assets		**98,920**	91,562
CURRENT ASSETS			
Inventories	17	**15,228**	23,174
Trade receivables	18	**108,415**	168,340
Prepayments, deposits and other receivables	19	**8,222**	6,285
Due from a related company	20	**52**	–
Due from the ultimate holding company	20	**746**	–
Tax recoverable		**–**	1,611
Cash and bank balances	21	**83,928**	53,990
Total current assets		**216,591**	253,400
CURRENT LIABILITIES			
Trade payables	22	**108,685**	151,212
Accruals and other payables	23	**9,938**	8,514
Interest-bearing bank borrowings	24	**12,837**	12,891
Finance lease payables	25	**831**	710
Due to the ultimate holding company	26	**1,193**	4,521
Tax payable		**1,152**	3,475
Total current liabilities		**134,636**	181,323
NET CURRENT ASSETS		**81,955**	72,077
TOTAL ASSETS LESS CURRENT LIABILITIES		**180,875**	163,639

Consolidated Balance Sheet

31 December 2008

	Notes	2008 US$'000	2007 US$'000
NON-CURRENT LIABILITIES			
Finance lease payables	25	**244**	1,006
Deferred tax liabilities	15	**1,413**	313
Total non-current liabilities		**1,657**	1,319
Net assets		**179,218**	162,320
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	27	**1,282**	1,282
Reserves		**169,549**	152,063
Proposed final dividend	11	**8,387**	8,975
Total equity		**179,218**	162,320

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		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 2007		39,363	–	3,372	828	–	36,241	–	40,441	79,804
Group reorganisation		(39,363)	–	–	–	39,363	–	–	39,363	–
Capitalisation issue		961	(961)	–	–	–	–	–	(961)	–
Issue of share capital		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 dividend		–	–	–	–	–	(9,018)	–	(9,018)	(9,018)
Proposed final dividend		–	–	–	–	–	(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
At 1 January 2008		**1,282**	**49,891**	**3,372**	**842**	**39,363**	**58,595**	**8,975**	**161,038**	**162,320**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**36,774**	**–**	**36,774**	**36,774**
Transferred from retained profits		**–**	**–**	**2,933**	**–**	**–**	**(2,933)**	**–**	**–**	**–**
2007 final dividend		**–**	**–**	**–**	**–**	**–**	**–**	**(8,975)**	**(8,975)**	**(8,975)**
Interim dividend		**–**	**–**	**–**	**–**	**–**	**(10,901)**	**–**	**(10,901)**	**(10,901)**
Proposed final dividend		**–**	**–**	**–**	**–**	**–**	**(8,387)**	**8,387**	**–**	**–**
At 31 December 2008		**1,282**	**49,891***	**6,305***	**842***	**39,363***	**73,148***	**8,387**	**177,936**	**179,218**

* These reserve accounts comprise the consolidated reserves of US$169,549,000 (2007: US$152,063,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 US$'000	2007 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**42,291**	44,840
Adjustments for:			
Interest expense		**606**	573
Interest income	4	**(1,578)**	(980)
Depreciation of property, plant and equipment	6	**10,204**	7,110
Amortisation of leasehold land prepayments	6	**86**	48
Loss on disposal of items of property, plant and equipment	6	**1,924**	607
Equity-settled share-based payment expenses	6	**–**	14
Write-down of inventories to net realisable value	6	**5,252**	1,754
Impairment of trade receivables	6	**129**	–
Tax refund	4	**–**	(588)
		58,914	53,378
Decrease/(increase) in trade receivables		**59,796**	(81,105)
(Increase)/decrease in prepayments, deposits and other receivables		**(324)**	2,523
Decrease/(increase) in inventories		**2,694**	(2,965)
(Increase)/decrease in an amount due from a related company		**(52)**	68
(Increase)/decrease in an amount due from the ultimate holding company		**(746)**	1,171
(Decrease)/increase in trade payables		**(42,527)**	61,757
(Decrease)/increase in accruals and other payables		**(714)**	3,213
Decrease in an amount due to a related company		**–**	(6,744)
(Decrease)/increase in an amount due to the ultimate holding company		**(3,328)**	1,552
Cash generated from operations		**73,713**	32,848
Interest received		**1,578**	980
Interest paid		**(406)**	(322)
Income tax paid		**(7,198)**	(2,926)
Net cash flow generated from operating activities		**67,687**	30,580

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	**2008 US$'000**	2007 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged bank balances		**107**	279
Increase in time deposits with an initial term of more than three months		**(9,111)**	(1,429)
Purchases of items of property, plant and equipment		**(16,340)**	(39,537)
Proceeds from disposal of items of property, plant and equipment		**–**	1,961
Additions of leasehold land prepayments		**(1,345)**	(3,427)
Proceeds from disposal of leasehold land prepayments		**707**	–
Tax refund from re-investment		**–**	1,099
Net cash flow used in investing activities		**(25,982)**	(41,054)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(200)**	(251)
Payment of capital element of finance lease payables		**(641)**	(497)
Proceeds from issue of shares		**–**	53,846
Share issue expenses		**–**	(2,539)
Dividend paid		**(19,876)**	(9,018)
New bank borrowings		**34,079**	42,611
Repayment of bank borrowings		**(34,133)**	(37,453)
Net cash flow (used in)/generated from financing activities		**(20,771)**	46,699
NET INCREASE IN CASH AND CASH EQUIVALENTS		**20,934**	36,225
Cash and cash equivalents at beginning of year		**49,278**	13,053
CASH AND CASH EQUIVALENTS AT END OF YEAR		**70,212**	49,278
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand	21	**105**	88
Cash at banks, unrestricted	21	**70,107**	49,190
		70,212	49,278

Balance Sheet

31 December 2008

	Notes	2008 US$'000	2007 US$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**78,963**	69,463
Total non-current assets		**78,963**	69,463
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**9,032**	9,027
Cash and bank balances	21	**11,481**	21,299
Total current assets		**20,513**	30,326
CURRENT LIABILITIES			
Accruals and other payables	23	**29**	248
Total current liabilities		**29**	248
NET CURRENT ASSETS		**20,484**	30,078
NET ASSETS		**99,447**	99,541
EQUITY			
Issued capital	27	**1,282**	1,282
Reserves	28(c)	**89,778**	89,284
Proposed final dividend	11	**8,387**	8,975
Total equity		**99,447**	99,541

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Notes to Financial Statements

31 December 2008

1. Corporate information and group reorganisation

Regent Manner International Holdings Limited ("the Company") 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.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 Manner (BVI) Limited ("Regent BVI")	British Virgin Islands 10 August 2006	50	100	–	Investment holding
Regent Manner Limited ("Regent HK")	Hong Kong 11 April 1997	78,963	–	100	Manufacture and sale of electronic products, provision of subcontracting services and investment holding
Regent Electron (Ningbo) Co., Ltd. ("Regent Ningbo") (note b)	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") (note b)	The PRC 19 January 2006	10,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

Notes to Financial Statements

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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 (Suzhou) Co., Ltd. ("Regent Suzhou") (note a)	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	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	2,500 Registered capital of 5,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
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") (note a)	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") (note b)	The PRC 8 February 2006	5,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

Notes to Financial Statements

31 December 2008

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	%	%	
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
Regent Electron (Chengdu) Co., Ltd. ("Regent Chengdu")	The PRC 28 January 2008	2,550 of 17,000 registered capital	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Tianjin) Co., Ltd. ("Regent Tianjin")	The PRC 21 February 2008	1,500 of 10,000 registered capital	–	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.

Notes:

(a) Pursuant to a merger agreement dated 16 October 2008 entered into between Regent Suzhou and TSMT Nanjing, TSMT Nanjing will be merged with Regent Suzhou, after which TSMT Nanjing will be dissolved. The merger has been approved by relevant government authorities and is expected to be completed in the first half year of 2009.

(b) Pursuant to the resolutions of the board of directors of Regent Ningbo FTZ, Regent Ningbo and TSMT Ningbo dated 19 December 2008, Regent Ningbo FTZ and TSMT Ningbo plan to be merged with Regent Ningbo, after which Regent Ningbo FTZ and TSMT Ningbo will be dissolved. The Group is in the process of obtaining relevant governmental approvals.

Notes to Financial Statements

31 December 2008

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

The directors of the Company believe these mergers/proposed mergers would not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2008.

2.1 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 2008. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 Impact of new and revised Hong Kong Financial Reporting Standards

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	*Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Notes to Financial Statements

31 December 2008

2.2 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) Amendments to HKAS 39 Financial Instruments: *Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

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

(b) HK(IFRIC)-Int 11 HKFRS 2 – *Group and Treasury Share Transactions*

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 buys 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 the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

Notes to Financial Statements

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2.3 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 1 and HKAS 27 Amendments	*Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	*Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	*Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	*Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the HKAS 27 Amendment from 1 January 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

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.

Notes to Financial Statements

31 December 2008

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

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

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.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that customer loyalty award credits granted to customers as part of a sales transaction are to be accounted for as a separate component of the sales transaction in which they are granted. 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. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

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

HK(IFRIC)-Int 15 will replace HK Interpretation 3 Revenue – Pre-completion Contracts for the Sale of Development Properties. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 Events after the Balance Sheet Date and HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

In October 2008, the HKICPA issued its first Improvements to HKFRSs which sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

Notes to Financial Statements

31 December 2008

2.4 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 received a share option scheme from its ultimate holding company, TSMT Taiwan. The objectives of 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.

2.4 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.

Notes to Financial Statements

31 December 2008

2.4 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 Mainland China 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.

2.4 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.

Notes to Financial Statements

31 December 2008

2.4 Summary of significant accounting policies *(continued)*

Income tax *(continued)*

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.

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.

2.4 Summary of significant accounting policies *(continued)*

Income tax *(continued)*

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.

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.

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2.4 Summary of significant accounting policies *(continued)*

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.

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%
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 least 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.

2.4 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.

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2.4 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.

2.4 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

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 cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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2.4 Summary of significant accounting policies *(continued)*

Impairment of financial assets *(continued)*

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.

2.4 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.

Notes to Financial Statements

31 December 2008

2.4 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.

2.5 Significant accounting judgements and estimates

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.

Estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 2008 are US$363,000 (2007: US$664,000). 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 at the next 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.

Notes to Financial Statements

31 December 2008

3. Segment information

The Group's revenue and profit for the year ended 31 December 2008 are 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 2008.

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:

	2008	2007
	US$'000	US$'000
Revenue		
Sale of goods	**444,229**	414,690
Subcontracting service income	**12,043**	16,842
	456,272	431,532
Other income and gain		
Interest income	**1,578**	980
Exchange gain	**1,402**	1,066
Sale of scraps	**25**	51
Tax refund	**–**	588
Others	**1,060**	369
	4,065	3,054
	460,337	434,586

5. Finance costs

	2008 US$'000	2007 US$'000
Interest on bank and other borrowings	**406**	322
Interest on finance leases	**200**	251
Bank charges	**663**	542
	1,269	1,115

6. Profit before income tax

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

	Notes	2008 US$'000	2007 US$'000
Employee benefits expense			
(including directors' emoluments (note 7)):			
Wages and salaries		**17,730**	14,461
Equity-settled share-based payment expenses			
– Share option scheme of TSMT Taiwan		**–**	14
Pension scheme contributions		**1,135**	878
		18,865	15,353
Cost of inventories sold		**335,328**	321,678
Cost of services provided		**10,612**	15,060
Depreciation of property, plant and equipment	13	**10,204**	7,110
Amortisation of leasehold land prepayments	14	**86**	48
Loss on disposal of items of property, plant and equipment		**1,924**	607
Impairment of trade receivable		**129**	–
Auditors' remuneration		**380**	325
Minimum lease payments under operating leases in respect of:			
Buildings		**695**	568
Machinery		**762**	324
Research and development costs		**3,591**	2,572
Write-down of inventories to net realisable value		**5,252**	1,754

Notes to Financial Statements

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7. Director's emoluments

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

	2008 US$'000	2007 US$'000
Fees	**137**	159
Other emoluments:		
Salaries, allowances, and benefits in kind	**331**	616
Bonuses	**56**	58
Share-based payment expenses:		
Share option scheme of TSMT Taiwan	**–**	9
	524	842

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 2008 is included in the above director's emolument disclosures.

7. Director's emoluments *(continued)*

(a) Independent non-executive directors

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

	2008	2007
	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
Mr. Liang Hsing-Kuo (resigned on 1 December 2007)	**–**	9
Mr. Kwok Kwan-Hung (appointed on 4 December 2007)	**2**	1
Mr. Wang Mie-Nan (appointed on 4 December 2007)	**2**	1
Ms. Lin Yen-Yu (appointed on 4 December 2007)	**2**	1
	6	30

There are no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

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7. Director's emoluments *(continued)*

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances, and benefits in kind	Bonuses	Share-based payment expenses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2008					
Executive directors:					
Mr. Wu Kai-Hsiung	**39**	**55**	**16**	**–**	**110**
Ms. Han Min	**23**	**15**	**4**	**–**	**42**
Ms. Tseng Yu-Ling, Kelly	**23**	**27**	**7**	**–**	**57**
Mr. Chen Lung-Hsun, Patrick (resigned on 31 January 2008)	**–**	**–**	**–**	**–**	**–**
	85	**97**	**27**	**–**	**209**
Non-executive director:					
Mr. Wu Kai-Yun	**46**	**234**	**29**	**–**	**309**
	131	**331**	**56**	**–**	**518**
2007					
Executive directors:					
Mr. Wu Kai-Hsiung	35	60	15	5	115
Ms. Han Min	21	11	8	–	40
Mr. Chen Lung-Hsun, Patrick	28	62	–	–	90
Ms. Tseng Yu-Ling, Kelly (appointed on 4 December 2007)	2	28	7	1	38
	86	161	30	6	283
Non-executive director:					
Mr. Wu Kai-Yun	43	455	28	3	529
	129	616	58	9	812

There is no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

8. Five highest paid employees

The five highest paid employees of the Group during the year include two directors (2007: three) and three non-director individuals (2007: two), details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2007: two) highest paid, non-director individuals during the year is as follows:

	2008	2007
	US$'000	US$'000
Salaries, allowances and benefits in kind	162	97
Bonuses	21	9
	183	106

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

	Number of employees	
	2008	2007
Nil to HKD1,000,000	3	2

During the year ended 31 December 2008, no emoluments are 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 years ended 31 December 2008 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 Mainland China, is entitled to a 50:50 apportionment of profits generated from the sale of good manufactured in Mainland China. As a result, Regent HK provided for Hong Kong profits tax at 8.25% on the estimated assessable profits arising in Hong Kong for 2008 (2007: 8.75%).

Regent HK operates through a subcontracting factory in Dongguan, the PRC. The factory is subject to PRC corporate income tax at a rate of 25% (2007: 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.

Other PRC subsidiaries are subject to the PRC corporate income tax. The New Corporate Income Tax Law, which became effective on 1 January 2008, introduced 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, Regent Xiamen and Regent Foshan, who are entitled to full exemption from the PRC 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.

9. Income tax *(continued)*

The major components of the income tax expense for the year ended 31 December 2008 are as follows:

	2008	2007
	US$'000	US$'000
Current tax	**4,875**	4,326
Deferred tax (note 15)	**642**	167
Income tax	**5,517**	4,493

	2008					
	Hong Kong		**The PRC**		**Total**	
	US$'000	**%**	**US$'000**	**%**	**US$'000**	**%**
Profit before income tax	**6,038**		**36,253**		**42,291**	
Tax at the applicable tax rate	**498**	**8.25%**	**9,063**	**25.00%**	**9,561**	**22.61%**
Effect of differences in tax rates	**–**	**–**	**(747)**	**(2.06%)**	**(747)**	**(1.77%)**
Effect of tax exemption	**–**	**–**	**(4,292)**	**(11.84%)**	**(4,292)**	**(10.15%)**
Effect on opening deferred tax of decrease in tax rates	**–**	**–**	**(56)**	**(0.16%)**	**(56)**	**(0.13%)**
Expenses not deductible for tax	**–**	**–**	**11**	**0.03%**	**11**	**0.03%**
Tax losses not recognised	**–**	**–**	**90**	**0.25%**	**90**	**0.21%**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	**950**	**2.62%**	**950**	**2.25%**
Tax charge at the Group's effective rate	**498**	**8.25%**	**5,019**	**13.84%**	**5,517**	**13.05%**

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9. Income tax *(continued)*

	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%

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 2008 includes a profit of US$19,782,000 (2007: US$18,023,000) which has been dealt with in the financial statements of the Company (note 28(c)).

11. Dividends

	2008	2007
	US$'000	US$'000
Interim – HK8.5 cent per ordinary share (2007:HK 7cents)	**10,901**	9,018
Proposed final – HK6.5 cent per ordinary share (2007:HK 7cents)	**8,387**	8,975
	19,288	17,993

An interim dividend of HK8.5 cent (2007: HK7 cent) per ordinary share amounting to HK$85,000,000 (equivalent to approximately US$10,901,000) was paid on 30 September 2008 to shareholders on the register of members of the Company at the close of business on 13 August 2008.

The proposed final dividend in respect of the year ended 31 December 2008 of HK6.5 cent (2007: 7 cent) per ordinary share, amounting to a total dividend of HK$65,000,000 (equivalent to US$8,387,000) 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, as adjusted to reflect the rights issue during the year.

	2008	2007
Profit attributable to ordinary equity holders of the parent (US$'000)	**36,774**	40,347
Weighted average number of ordinary shares in issue ('000)	**1,000,000**	869,863

Basic earnings per share for the year ended 31 December 2008 is calculated by dividing the profit for the year attributable to equity holders of the Company of US$36,774,000 by the weighted average number of 1,000,000,000 ordinary shares in issue during the year.

Diluted earnings per share amount has not been disclosed for the year ended 31 December 2008 as there are no dilutive options and other potential dilutive ordinary shares in issue during the current year (2007: Nil).

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13. Property, plant and equipment

Group

31 December 2008	Buildings US$'000	Plant and machinery US$'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 2007 and 1 January 2008							
Cost	4,381	82,810	5,454	854	934	9,650	104,083
Accumulated depreciation	(847)	(17,375)	(1,134)	(249)	(332)	–	(19,937)
Net carrying amount	3,534	65,435	4,320	605	602	9,650	84,146
At 1 January 2008, net of accumulated depreciation	3,534	65,435	4,320	605	602	9,650	84,146
Additions	3,291	6,345	2,871	159	367	5,443	18,476
Disposals	(84)	(1,670)	(79)	(39)	(52)	–	(1,924)
Depreciation provided during the year	(479)	(7,850)	(1,447)	(163)	(265)	–	(10,204)
Transfers	6,870	3,705	1,094	–	–	(11,669)	–
At 31 December 2008, net of accumulated depreciation	13,132	65,965	6,759	562	652	3,424	90,494
At 31 December 2008:							
Cost	14,434	84,215	8,762	922	1,093	3,424	112,850
Accumulated depreciation:	(1,302)	(18,250)	(2,003)	(360)	(441)	–	(22,356)
Net carrying amount	13,132	65,965	6,759	562	652	3,424	90,494

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

Group

31 December 2007	Buildings US$'000	Plant and machinery US$'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	2,833	706	551	3,727	69,822
Accumulated depreciation	(661)	(13,461)	(1,159)	(140)	(114)	–	(15,535)
Net carrying amount	2,764	45,119	1,674	566	437	3,727	54,287
At 1 January 2007, net of accumulated depreciation	2,764	45,119	1,674	566	437	3,727	54,287
Additions	84	23,057	2,658	242	383	13,113	39,537
Disposals	–	(2,441)	(94)	(20)	–	(13)	(2,568)
Depreciation provided during the year	(186)	(5,965)	(558)	(183)	(218)	–	(7,110)
Transfers	872	5,665	640	–	–	(7,177)	–
At 31 December 2007, net of accumulated depreciation	3,534	65,435	4,320	605	602	9,650	84,146
At 31 December 2007:							
Cost	4,381	82,810	5,454	854	934	9,650	104,083
Accumulated depreciation:	(847)	(17,375)	(1,134)	(249)	(332)	–	(19,937)
Net carrying amount	3,534	65,435	4,320	605	602	9,650	84,146

The net book value of the Group's fixed assets held under finance leases included in the total amount of plant and machinery at 31 December 2008 amounted to US$2,299,000 (2007: US$2,622,000).

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14. Leasehold land prepayments

	Group	
	2008	2007
	US$'000	US$'000
Cost at 1 January, net of accumulated amortisation	**7,223**	3,844
Additions	**1,345**	3,427
Disposals	**(707)**	–
Amortisation provided during the year	**(86)**	(48)
At 31 December	**7,775**	7,223
At 31 December		
Cost	**7,959**	7,321
Accumulated amortisation	**(184)**	(98)
Net carrying amount	**7,775**	7,223

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 2008, 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. The net book value of the underlying leasehold land prepayments was US$3,020,000 as at 31 December 2008.

15. Deferred tax

Movements of deferred tax assets and liabilities during the year are as follows:

Deferred tax assets	Notes	Group Write down of inventories to net realisable value	 Unapproved disposal of fixed assets	 Total
At 1 January 2007		47	–	47
Recognised in the income statement during the year	9	146	–	146
At 31 December 2007		193	–	193
Recognised in the income statement during the year	9	(110)	568	458
At 31 December 2008		83	568	651

Deferred tax liabilities		Group Deductible temporary differences related to depreciation of property, plant and equipment	 Withholding tax provided	 Total
At 1 January 2007		–	–	–
Recognised in the income statement during the year	9	313	–	313
At 31 December 2007		313	–	313
Recognised in the income statement during the year	9	150	950	1,100
At 31 December 2008		463	950	1,413

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15. Deferred tax *(continued)*

At 31 December 2008, the Group do not recognise any deferred tax assets in respect of its tax losses as disclosed below:

	Group	
	2008	2007
	US$'000	US$'000
Tax losses	**363**	664

16. Investments in subsidiaries

	Company	
	2008	2007
	US$'000	US$'000
Unlisted shares, at cost	**78,963**	69,463

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

17. Inventories

	Group	
	2008	2007
	US$'000	US$'000
Raw materials	**12,061**	16,432
Finished goods	**3,167**	6,742
	15,228	23,174

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 2008, the Group's risk that arises from exposure to the top five debtors amounted to US$98,440,000 (2007: US$166,570,000).

18. Trade receivables *(continued)*

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

	Group	
	2008	2007
	US$'000	US$'000
Within 90 days	**75,058**	128,381
Between 91 days to 180 days	**33,357**	39,532
Between 181 days to 365 days	**–**	427
	108,415	168,340

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

	Group	
	2008	2007
	US$'000	US$'000
Neither past due nor impaired	**108,060**	167,470
Less than 30 days past due	**355**	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
	108,415	168,340

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

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.

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19. Prepayments, deposits and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables discounted to banks	**4,923**	4,422	**–**	–
Rental and other deposits	**1,022**	575	**–**	–
Prepayments	**865**	223	**–**	–
Deposit with a subtracting factory	**1,208**	811	**–**	–
Dividend receivable	**–**	–	**9,032**	8,975
Others	**204**	254	**–**	52
	8,222	6,285	**9,032**	9,027

As at 31 December 2008 and 2007, 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	
	2008	2007
	US$'000	US$'000
Trade receivables from:		
(i) A related company: Hitop (controlled by the same ultimate holding company: TSMT Taiwan)	**52**	–
(ii) The ultimate holding company: TSMT Taiwan	**746**	–

Trade receivables from 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.

21. Cash and bank balances

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Cash on hand	**105**	88	**–**	–
Cash at banks, unrestricted	**70,107**	49,190	**11,481**	21,299
Time deposits with initial term of more than three months	**13,101**	3,990	**–**	–
Pledged bank balances	**615**	722	**–**	–
	83,928	53,990	**11,481**	21,299

As at 31 December 2008, cash at banks of approximately US$615,000 (2007: US$722,000) 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 0.69% per annum for the year ended 31 December 2008 (2007: 0.81%).

As at the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately US$22,886,000 (2007: US$15,475,000). 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.

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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	
	2008	2007
	US$'000	US$'000
Outstanding balances with ages:		
Within 90 days	**64,532**	100,350
Between 91 to 180 days	**44,109**	50,805
Between 181 to 365 days	**44**	56
Between 1 to 2 years	**–**	1
	108,685	151,212

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

23. Accruals and other payables

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Accrued wages, salaries and staff welfare	**4,378**	4,604	**–**	15
Accrued expenses	**854**	882	**–**	231
Payables for purchases of consumables	**1,423**	1,055	**–**	–
Value-added tax payables	**220**	174	**–**	–
Payables for purchases of property, plant and equipment and construction in process	**2,162**	826	**–**	–
Others	**901**	973	**29**	2
	9,938	8,514	**29**	248

24. Interest-bearing bank borrowings

	Group	
	2008	2007
	US$'000	US$'000
Unsecured bank borrowings repayable within one year	**12,837**	12,891
Portion classified as current liabilities	**(12,837)**	(12,891)
Long-term portion	**–**	–

The Group's bank borrowings bear interest at rates ranging from 1.46% to 3.87% (2007: 1.12% to 5.98%) per annum.

The Group's bank borrowings amounting to US$12,837,000 is denominated in United States dollars (2007: US$6,350,000 and US$6,541,000 denominated in United States dollars and Japanese Yen, respectively).

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

As at 31 December 2008, total bank loan facilities of US$17,500,000 (2007: US$5,000,000) granted to the Group bear interest at LIBOR plus 2.8% for US$10,000,000, LIBOR plus 1.5% for US$6,000,000 and LIBOR plus 1% for US$1,500,000 per annum (2007: LIBOR plus 0.45% per annum). The loan facilities are unsecured, and have not been utilised by the Group as at 31 December 2008.

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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 2008, the total future minimum lease payments under finance leases and their present values are as follows:

Group	**Minimum lease payments**		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable:				
Within one year	**938**	900	**831**	710
In the second year	**268**	889	**244**	778
In the third to fifth years, inclusive	**–**	253	**–**	228
Total minimum finance lease payments	**1,206**	2,042	**1,075**	1,716
Future finance charges	**(131)**	(326)		
Total net finance lease payables	**1,075**	1,716		
Portion classified as current liabilities	**(831)**	(710)		
Non-current portion	**244**	1,006		

26. Due to the ultimate holding company

	Group	
	2008	2007
	US$'000	US$'000
Trade payables to TSMT Taiwan	**1,193**	4,521

Trade payables to the ultimate holding company aged less than 180 days. They are unsecured, interest-free and have no fixed terms of repayment.

27. Share capital

	2008 US$'000	2007 US$'000
Authorised – 5,000,000,000 shares of HK$0.01 each	**6,410**	6,410
Issued and fully paid – 1,000,000,000 shares of HK$0.01 each	**1,282**	1,282

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 the PRC GAAP audited financial statements, 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) Merger reserve

Merger 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 a reorganisation completed in 2007.

28. Reserves *(continued)*

(c) Reserves of the Company

31 December 2008	Notes	Share premium account US$'000	Merger reserve US$'000	Retained profits US$'000	Total reserves US$'000	Proposed final dividend US$'000
Balance at 1 January 2008		**49,891**	**39,363**	**30**	**89,284**	**8,975**
Profit for the year		**–**	**–**	**19,782**	**19,782**	**–**
2007 final dividend	11	**–**	**–**	**–**	**–**	**(8,975)**
Interim dividend	11	**–**	**–**	**(10,901)**	**(10,901)**	**–**
Proposed final dividend	11	**–**	**–**	**(8,387)**	**(8,387)**	**8,387**
At 31 December 2008		**49,891**	**39,363**	**524**	**89,778**	**8,387**

31 December 2007	Notes	Share premium account US$'000	Merger reserve US$'000	Retained profits US$'000	Total reserves US$'000	Proposed final dividend US$'000
Balance at 1 January 2007		–	–	–	–	–
Merger reserve arising from a 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 dividend	11	–	–	(9,018)	(9,018)	–
Proposed final dividend	11	–	–	(8,975)	(8,975)	8,975
At 31 December 2007		49,891	39,363	30	89,284	8,975

29. Share-based payments

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.

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29. Share-based payments *(continued)*

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

	2008 Weighted average exercise price US$ per share	2008 Number of options '000	2007 Weighted average exercise price US$ per share	2007 Number of options '000
At 1 January	**0.31**	**386**	0.38	771
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**0.31**	**(386)**	0.31	(385)
Expired during the year	**–**	**–**	–	–
At 31 December	**Not applicable**	**–**	0.31	386

The weighted average share price at the date of exercise for the share options exercised during the year was US$1.54 (2007: US$2.26).

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

2008

Number of options '000	Exercise price* US$ per share	Exercise period
–	**Not applicable**	**Not applicable**

2007

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

* 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.

29. Share-based payments *(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, 22/F 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 2008, the Group did not record any 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) (2007: US$14,000).

30. Pledge of assets

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

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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 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008	2007
	US$'000	US$'000
Within one year	**1,235**	1,247
In the second to fifth years, inclusive	**935**	2,286
	2,170	3,533

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	
	2008	2007
	US$'000	US$'000
Contracted, but not provided for:		
Purchases of plant and machinery	**544**	103
Construction of buildings	**426**	2,533
Capital injection to certain PRC subsidiaries	**33,450**	22,500

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33. Related party transactions

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

	2008 US$'000	2007 US$'000
Purchases of raw materials from (note (i)):		
TSMT Taiwan	**3,531**	5,284
Purchases of goods from (note (i)):		
TSMT Taiwan	**805**	6,904
Sales of goods to (note (i)):		
TSMT Taiwan	**746**	–
Hitop	**540**	–

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 Mr. Wu Kai-Yun, a director of the Company, to the Group, Mr. Wu Kai-Yun agreed to compensate the Group for certain individual income tax liabilities incurred by the Group's expatriates upon payment of these liabilities to the PRC tax bureau. As at 31 December 2008, individual income tax liabilities amounting to US$1,721,000 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	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**108,415**	168,340	**–**	–
Financial assets included in prepayments, deposits and other receivables	**6,335**	4,676	**9,032**	9,027
Due from a related company	**52**	–	**–**	–
Due from the ultimate holding company	**746**	–	**–**	–
Cash and bank balances	**83,928**	53,990	**11,481**	21,299
	199,476	227,006	**20,513**	30,326

Financial liabilities

	Financial liabilities at amortised cost			
	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**108,685**	151,212	**–**	–
Financial liabilities included in accruals and other payables	**9,718**	8,340	**29**	248
Finance lease payables	**1,075**	1,716	**–**	–
Interest-bearing bank borrowings	**12,837**	12,891	**–**	–
Due to the ultimate holding company	**1,193**	4,521	**–**	–
	133,508	178,680	**29**	248

35. Financial risk management objectives and policies

Financial assets of the Group mainly include cash and bank balances, trade receivables, deposits and other receivables, 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 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% (2007: 2%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, while almost 10% (2007: 11%) of costs are denominated in currencies other than the units' functional currency. The Group considers the risk is manageable and does not enter into any forward currency contracts to hedge the exposure.

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
2008		
If United States dollar weakens against Renminbi	**5**	**1,030**
If United States dollar strengthens against Renminbi	**(5)**	**(1,030)**
2007		
If United States dollar weakens against Renminbi	5	268
If United States dollar strengthens against Renminbi	(5)	(268)

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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 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
2008		
United States dollar	**5**	**(18)**
United States dollar	**(5)**	**18**
Japanese Yen	**5**	**(2)**
Japanese Yen	**(5)**	**2**
2007		
United States dollar	5	(111)
United States dollar	(5)	111
Japanese Yen	5	(52)
Japanese Yen	(5)	52

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

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 91% (2007: 99%) of the Group's total trade receivables as at 31 December 2008. 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 64% (2007: 95%) of the Group's total cash and cash equivalents as at 31 December 2008.

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	**2008**				
	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	–	235	596	244	1,075
Interest-bearing bank borrowings	–	12,837	–	–	12,837
Trade payables	19,520	75,359	13,806	–	108,685
Accruals and other payables	6,656	3,062	–	–	9,718
Due to the ultimate holding company	–	1,193	–	–	1,193
	26,176	92,686	14,402	244	133,508

Notes to Financial Statements

31 December 2008

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

Liquidity risk *(continued)*

Group

	2007				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	US$'000	US$'000	US$'000	US$'000	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
Due to the ultimate holding company	–	4,521	–	–	4,521
	27,923	117,671	32,080	1,006	178,680

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 2008 and 31 December 2007.

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	
	2008	2007
	US$'000	US$'000
Interest-bearing bank borrowings	**12,837**	12,891
Finance lease payables	**1,075**	1,716
Trade payables	**108,685**	151,212
Accruals and other payables	**9,938**	8,514
Tax payable	**1,152**	3,475
Due to the ultimate holding company	**1,193**	4,521
Less: Cash and cash equivalents	**(70,212)**	(49,278)
Net debt	**64,668**	133,051
Equity attributable to equity holders	**180,168**	162,320
Capital and net debt	**244,836**	295,371
Gearing ratio	**26%**	45%

36. Post balance sheet event

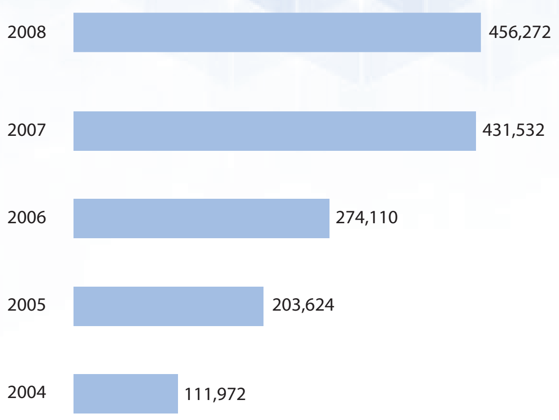
On 27 February 2009, the Hong Kong Inland Revenue Department (the "IRD") initiated an audit on the tax affairs of one of the subsidiary of the Group for the years of assessment from 2002/03 to 2007/08. On 6 March 2009, the IRD issued an estimated Hong Kong Profits Tax assessment of US$387,000 (equivalent of HK$3,000,000) to and demanded Hong Kong Profits Tax of US$62,000 (equivalent of HK$480,000) from the subsidiary for the year of assessment 2002/03. In view that the tax audit is at the initial information collection stage and management is going to provide explanations to the IRD to support the subsidiary's Hong Kong Profits Tax position, the directors of the Company are of the opinion that the outcome of the objection cannot be reliably ascertained at this stage but they believe the Group has reasonable grounds to contest the assessment. Accordingly, no additional Hong Kong Profits Tax provision has been made in the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

37. Approval of financial statements

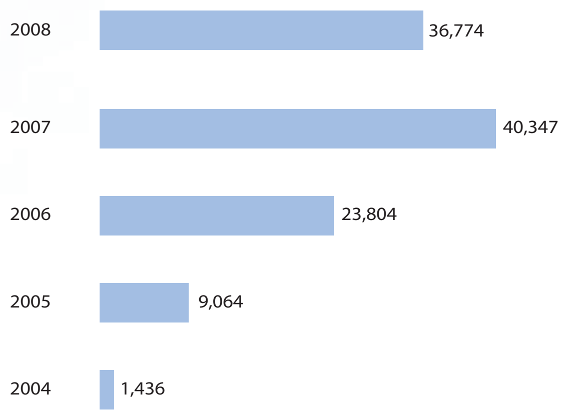
The financial statements were approved and authorised for issue by the board of directors on 3 April 2009.

Financial Summary

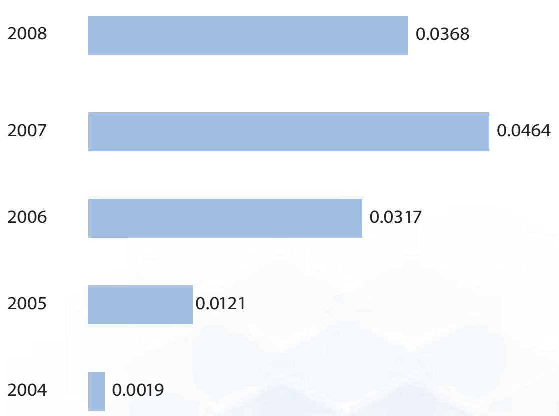
Revenue (US$'000)



Net Profit (US$'000)



Earnings per share (US$)



Net Assets (US$'000)