峻凌國際控股有限公司

Regent Manner International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

RMIH

Stock Code: 1997

ANNUAL REPORT 2009

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

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 income and net profit of Regent Manner International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year amounted to approximately US$773,439,000 and US$55,120,000 respectively. In the year, thanks to our outstanding performance in the second half of 2009, the Group managed to achieve a significant sales growth of nearly 70% from the previous year despite the impact of economic slowdown and a sharp reduction of orders received from customers in the first quarter of 2009. With effective cost control, net profit for the year posted a record growth of nearly 50% in spite of the effects of increase in tax expenses and decrease in interest income.

Due to the satisfactory results achieved last year, the board of directors of the Company (the "Board") recommended a final dividend of HK$0.10 per share for the year ended 31 December 2009 in addition to an interim dividend of HK$0.07 per share paid to shareholders on 29 September 2009, bringing the total dividend paid to shareholders throughout the year to HK$0.17 per share (2008: HK$0.15 per share) with a dividend payout ratio of nearly 40% (2008: 52.5%).

In early 2009, the Group underwent a slowdown in its profit growth owing to the global financial downturn. However, it remained profitable with the Group-wide efforts. Meanwhile, the Group took advantage of the opportunity to launch the mounting technology of the LED light bar applied to the backlight function of the TFT-LCD panel to cater for the desire of the end-user market in the new era for delicate and durable electronic products. Due to technological breakthroughs and along with the momentum of global economic upturn, the demand for application of the LED light bar grew. The penetration rate of the LED light bar (especially applied to televisions or notebook computers) is expected to rise continuously and remain the growth driver of the Group in the foreseeable future.

In addition, the Board and the management are optimistic on the policy of home appliances to the countryside in the PRC and intend to carry out business with television manufacturers in the PRC to provide mounting technology solutions for the main board of LCD television sets. We managed to engage with the first television manufacturer customer in the PRC in early 2010. We hope such business cooperation would bring long-term benefits to the customers and the Group.

The Group has 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 proactively strengthen supply chain management and foster customer relations, deepen collaboration with international brands and continue to strengthen our operational resilience and efficiency to increase customer satisfaction. The Group will also continue to expand its production capacity and establish more places of operation to speed up the development of the Group.

With respect to management, the Board and the management will work closely, especially in establishing the best risk management and emergency strategies to cope with any changes in the external competitive environment, rules and regulations or in the overall operating environment to ensure our long term competitive edge.

In the long term, it is expected that the TFT-LCD sector, benefited from the growing market demand for LCD products, will achieve a healthy growth. With a team of experienced staff, we believe the Group will continue to maintain its leading position in the industry, achieve business growth and bring profitable return to its shareholders in the foreseeable future.

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 thin-film transistor liquid crystal display ("TFT-LCD") panels and various electronic products, with an aim to become a specialized provider of electronic manufacturing services ("EMS"). At present, the Group's scope of services includes materials procurement and management, process engineering design, SMT processing, quality assurance, logistics management and after-sales services. The Company's shares were listed on the Main Board of the Stock Exchange on 10 July 2007.

Business and Financial Review

Revenue

For the year ended 31 December 2009, the Group recorded a revenue of approximately US$773,439,000 (2008: approximately US$456,272,000), representing a growth of approximately 69.5% over the previous year. Increase in revenue was attributed to the increased orders from the Group's key customers as a result of the resumption of the TFT-LCD industry following the recovery of the global economy, as well as the continuous growth of demand for the new products.

Gross Profit

The gross profit for the year ended 31 December 2009 was approximately US$78,533,000 (2008: approximately US$55,664,000), representing a growth of approximately 41.1% over the previous year.

The overall gross profit margin of the Group for the year ended 31 December 2009 reduced to approximately 10.2% from approximately 12.2% of last year. It was due to the relatively lower gross profit margin of the new products during its early stage of launching as compared with that of the existing products.

Net Profit

The net profit for the year was approximately US$55,120,000 (2008: approximately US$36,774,000), representing approximately 49.9% increase over the previous year. It was mainly due to the increase of revenue of the year. However, due to the lower gross profit margin and the increase of income tax resulted from the increase of effective tax rate, the net profit margin reduced from approximately 8.1% in 2008 to approximately 7.1% in 2009.

Liquidity and Financial Resources

As at 31 December 2009, the Group's net current assets was approximately US$115,006,000 (2008: approximately US$81,955,000) which consisted of current assets amounting to approximately US$428,028,000 (2008: approximately US$216,591,000) and current liabilities amounting to approximately US$313,022,000 (2008: approximately US$134,636,000). The current ratio, defined as current assets over current liabilities, decreased from 1.6 times as at 31 December 2008 to 1.4 times as at 31 December 2009.

Management Discussion and Analysis

As at 31 December 2009, the unsecured bank loan repayable within one year was approximately US$13,113,000 (2008: approximately US$12,837,000). As at 31 December 2009, the Group has no other bank loans and borrowings repayable beyond one year (2008: Nil).

The gearing ratio, defined as total borrowings (other than payables in ordinary course of business) over total equity, as at 31 December 2009 was approximately 14.4%, reduced from approximately 15.4% as at 31 December 2008.

As at 31 December 2009, the cash and bank balances amounted to approximately US$58,569,000 (2008: approximately US$83,928,000).

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$17,106,000 during the year ended 31 December 2009 in construction of factory premises, purchase and installation of plant machinery, equipment and other tangible assets, as compared to approximately US$18,476,000 in 2008. 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 2009, the future capital commitments for which the Group had contracted but not provided for amounted to approximately US$52,780,000 (2008: approximately US$34,420,000) which relate mainly to the capital injection to certain PRC subsidiaries. Save for the above, the Group had no significant contingent liabilities.

Pledge of Assets

The Group had no pledged assets as at 31 December 2009 (31 December 2008: approximately US$615,000).

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 2009, the Group had 7,189 employees (2008: 4,940 employees). The total salaries and related cost for the year ended 31 December 2009 amounted to approximately US$18,833,000 (2008: approximately US$18,865,000).

Prospects

Along with the gradual recovery of the global economy condition after the first quarter of 2009, the financial performance of the Group picked up substantially since the second quarter. Furthermore, the Group has been continuously launching surface mounting technology for a new product, LED light bar. Being benefited from technology evolution, as well as increasing awareness and promotion for environmental protection in the consumer market, the demand from TFT-LCD Industry for the application of LED light bar keeps surging. The management looks forward to a further increase of the revenue and profitability of the Group as the economy recovers and the sales of the new product become mature.

The Group strives to become a leading EMS provider in the global TFT-LCD panel industry. In this regard, the Group intends to strengthen its relationships with leading TFT-LCD panel makers by continuously adopting co-location strategy. The Group will also expand its production capacity to cater for increasing demand from customers and to continuously invest in advanced production facilities to enhance production efficiency and product quality. Furthermore, the Group will maintain its focus on market leaders of TFT-LCD panel industry, and will enlarge its clientele by establishing relationship with other large-scale panel makers. The Group also strives to engage in other high-end electronic products. The management is optimistic on the abundant opportunities arising from the policy of home appliances to the countryside in mainland China and managed to establish cooperation with Haier Electronics Group, a large manufacturer of home electrical appliances in China, to carry out the business of provision of the SMT solutions applied to the main board of television sets to enhance its profitability.

The Group will continue to expand its business by (1) installing about 20 additional SMT production lines mainly in Suzhou, Xiamen and the newly established plants to stregthen the production capability; (2) launching new products such as LED light bar applicable to television sets 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 part (such as Qing Dao) and central part (such as He Fei) of the PRC to broaden the business platform of the Group.

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 global 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 50, 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. (億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 26 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 40, 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 17 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 33, 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 32, 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 44, 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 47, 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 36, 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 2009, 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 2009.

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 2009. 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, seven 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, one remuneration committee meeting was 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, one remuneration committee meeting was 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, six 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.

Corporate Governance 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.

Auditor's Remuneration

An analysis of the remuneration of the Company's auditor, Ernst & Young, for the year ended 31 December 2009 set out below:

	Fee paid/payable Approximately US$'000
Service rendered	
Audit fee for 2009 annual audit	264
Non audit service	45
Total	309

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	5/5				
Han Min	CMO	5/5				
Tseng Yu-Ling	CFO	5/5	7/7			
Non-executive Director						
Wu Kai-Yun	Chairman	5/5				
Independent non-executive Directors						
Kwok Kwan Hung		4/5	7/7	1/1	1/1	6/6
Wang Mie-Nan		4/5	7/7	1/1	1/1	6/6
Lin Yen-Yu		4/5	7/7	1/1	1/1	6/6

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 2009, 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 2009.

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

For management purpose, the Group is organised into one business unit – electronic products. Management monitors the result of this segment in making decisions about resources allocation and performance assessment.

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

Accordingly, no segment analysis by operating and geographical segments is provided for the year ended 31 December 2009.

Results and dividends

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 26 of this annual report.

During the year, the Company paid an interim dividend of HK$0.07 (2008: HK$0.085) per share amounting to HK$70,000,000 (equivalent to approximately US$9,032,000) on 29 September 2009.

The Board recommends the payment of a final dividend of HK$0.10 (2008: HK$0.065) per share amounting to HK$100,000,000 (equivalent to approximately US$12,903,000) in respect of the year ended 31 December 2009. The final dividend is subject to the approval at the forthcoming annual general meeting of the Company to be held on 18 May 2010 and is expected to be paid on or around 29 June 2009.

Total dividend for the year amounted to HK$0.17 (2008: HK$0.15) 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 14 May 2010 to 18 May 2010, 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 13 May 2010.

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 90 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 84% and 37% 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 29% and 9% 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.

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 2009, the Company's reserves available for distribution to shareholders comprised the retained profits amounted to US$13,775,000. 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.

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 2009.

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.

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

As at 31 December 2009, 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	8,777,566 ordinary shares	4.42%
Wu Kai-Yun	TSMT Taiwan	Family *Note 1*	8,482,784 ordinary shares	4.27%
Wu Kai-Hsiung	TSMT Taiwan	Personal	785,901 ordinary shares	0.40%
Wa Kai-Hsiung	TSMT Taiwan	Family *Note 2*	171,820 ordinary shares	0.09%
Tseng Yu-Ling	TSMT Taiwan	Personal	100,263 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 2009, 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 2009, shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in shares

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

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

Save as disclosed above, as at 31 December 2009, 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

Certain related party transactions as disclosed in note 31 to the financial statements constituted continuing connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules.

(1) On 19 June 2007, the Group entered into a purchase agreement between TSMT Taiwan (the "Purchase Agreement") regarding the Group's purchase of finished goods from TSMT Taiwan and its subsidiary other than the Group (the "TSMT Taiwan Group"). The annual caps for the transaction amount of the purchase of finished goods from TSMT Taiwan Group for each of the three years ended 31 December 2009 were US$7.4 million, US$10.3 million and US$14.4 million respectively.

(2) On 19 June 2007, the Group entered into a procurement agreement between TSMT Taiwan (the "Procurement Agreement") regarding the Group's purchase of raw materials and components from TSMT Taiwan Group. The annual caps for the transaction amount of the procurement of raw materials and components from TSMT Taiwan Group for each of the three years ending 31 December 2009 are US$7.8 million, US$10.9 million and US$15.3 million respectively.

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 ended 31 December 2009.

Shareholders' approval has been obtained at the extraordinary shareholders' meeting held on 19 May 2009 to extend the Purchase Agreement and the Procurement Agreement for another two years ending 31 December 2011. The annual caps for each of the two years ending 31 December 2011 are US$7.0 million and US$7.7 million respectively for both the Purchase Agreement and Procurement Agreement.

(3) On 23 September 2008, the Group entered into a supply agreement between TSMT Taiwan (the "Supply Agreement") regarding the Group's sales of finished goods to TSMT Taiwan with the delivery of finished goods in Taiwan. The annual caps for the transaction amount of the sales of finished goods to TSMT Taiwan for each of the three years ending 31 December 2010 are US$15.0 million, US$72.0 million and US$86.4 million respectively. 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.

(4) On 3 April 2009, the Group entered into a supply agreement between TSMT Taiwan (the "New Supply Agreement") regarding the Group's sales of finished goods to TSMT Taiwan Group with the delivery of finished goods in the PRC. The annual caps for the transaction amount of the sales of finished goods to TSMT Taiwan Group for each of the three years ending 31 December 2011 are US$2.3 million, US$4.4 million and US$4.8 million respectively. The transactions under the New Supply Agreement have been disclosed in the announcement dated 7 April 2009 and were approved by the shareholders of the Company on the extraordinary shareholders' meeting held on 19 May 2009.

(5) On 3 April 2009, the Group entered into a product development service agreement between TSMT Taiwan (the "Product Development Service Agreement") regarding the provision of product development service by TSMT Taiwan Group to the Group. The annual caps for the transaction amount of the provision of product development service by TSMT Taiwan Group for each of the three years ending 31 December 2011 are US$1.4 million, US$2.4 million and US$2.4 million respectively. The transactions under the Product Development Service Agreement have been disclosed in the announcement dated 7 April 2009 and were approved by the shareholders of the Company on the extraordinary shareholders' meeting held on 19 May 2009.

(6) On 3 April 2009, the Group entered into a purchase agreement between TSMT Taiwan (the "Machinery and Equipment Purchase Agreement") regarding the Group's purchase of machinery and equipment from TSMT Taiwan Group. The annual caps for the transaction amount of the provision of product development service by TSMT Taiwan Group for each of the three years ending 31 December 2011 are US$4.0 million, US$1.5 million and US$1.5 million respectively. The transactions under the Machinery and Equipment Purchase Agreement have been disclosed in the announcement dated 7 April 2009 and were approved by the shareholders of the Company on the extraordinary shareholders' meeting held on 19 May 2009.

Report of the Directors

The independent non-executive Directors of the Company 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 governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have performed certain agreed upon procedures on the above continuing connected transactions for the year ended 31 December 2009 (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, the announcement of the Company dated 25 September 2008 and 7 April 2009 respectively and approved by the Stock Exchange.

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 2009.

Directors' interests in contracts

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

Directors' interests in competing business

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

Pre-emptive rights

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

Directors' securities transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year of 2009.

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, 19 March 2010

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 26 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009, 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

19 March 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
REVENUE	4	**773,439**	456,272
Cost of sales		**(694,906)**	(400,608)
Gross profit		**78,533**	55,664
Other income and gain	4	**1,418**	4,065
Selling and distribution costs		**(1,146)**	(770)
Administrative expenses		**(13,542)**	(13,180)
Other expenses		**(536)**	(2,219)
Finance costs	5	**(796)**	(1,269)
PROFIT BEFORE INCOME TAX	6	**63,931**	42,291
Income tax	9	**(8,811)**	(5,517)
PROFIT FOR THE YEAR		**55,120**	36,774
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	10	**55,120**	36,774
DIVIDENDS	11		
Interim		**9,032**	10,901
Proposed final		**12,903**	8,387
		21,935	19,288
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**US$0.0551**	US$0.0368

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 US$'000	2008 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**95,931**	90,494
Leasehold land prepayments	14	**6,788**	7,775
Deferred tax assets	15	**320**	651
Total non-current assets		**103,039**	98,920
CURRENT ASSETS			
Inventories	17	**39,046**	15,228
Trade receivables	18	**311,025**	108,415
Prepayments, deposits and other receivables	19	**11,089**	8,222
Due from related companies	20	**596**	52
Due from the ultimate holding company	20	**7,703**	746
Cash and bank balances	21	**58,569**	83,928
Total current assets		**428,028**	216,591
CURRENT LIABILITIES			
Trade payables	22	**281,040**	108,685
Accruals and other payables	23	**10,119**	9,938
Interest-bearing bank borrowings	24	**13,113**	12,837
Finance lease payables	25	**244**	831
Due to the ultimate holding company	26	**1,922**	1,193
Due to a related company	26	**31**	–
Tax payable		**6,553**	1,152
Total current liabilities		**313,022**	134,636
NET CURRENT ASSETS		**115,006**	81,955
TOTAL ASSETS LESS CURRENT LIABILITIES		**218,045**	180,875

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 US$'000	2008 US$'000
NON-CURRENT LIABILITIES			
Finance lease payables	25	–	244
Deferred tax liabilities	15	**1,126**	1,413
Total non-current liabilities		**1,126**	1,657
Net assets		**216,919**	179,218
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**1,282**	1,282
Reserves		**202,734**	169,549
Proposed final dividends	11	**12,903**	8,387
Total equity		**216,919**	179,218

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Attributable to owners of the parent							
	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	Merger reserve US$'000 (note 28(b))	Retained profits US$'000 (note 11)	Proposed final dividend US$'000	Total equity US$'000
At 1 January 2008	1,282	49,891	3,372	842	39,363	58,595	8,975	162,320
Total comprehensive income for the year	–	–	–	–	–	36,774	–	36,774
Transferred from retained profits	–	–	2,933	–	–	(2,933)	–	–
2007 final dividend	–	–	–	–	–	–	(8,975)	(8,975)
Interim dividend	–	–	–	–	–	(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	179,218
At 1 January 2009	**1,282**	**49,891**	**6,305**	**842**	**39,363**	**73,148**	**8,387**	**179,218**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**55,120**	**–**	**55,120**
Transferred from retained profits	**–**	**–**	**4,039**	**–**	**–**	**(4,039)**	**–**	**–**
2008 final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**(8,387)**	**(8,387)**
Interim dividend	**–**	**–**	**–**	**–**	**–**	**(9,032)**	**–**	**(9,032)**
Proposed final dividend	**–**	**–**	**–**	**–**	**–**	**(12,903)**	**12,903**	**–**
At 31 December 2009	**1,282**	**49,891***	**10,344***	**842***	**39,363***	**102,294***	**12,903**	**216,919**

* These reserve accounts comprise the consolidated reserves of US$202,734,000(2008: US$ 169,549,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

31 December 2009

	Notes	2009 US$'000	2008 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**63,931**	42,291
Adjustments for:			
Interest expense		**255**	606
Interest income	4	**(641)**	(1,578)
Depreciation of property, plant and equipment	6	**11,091**	10,204
Amortisation of leasehold land prepayments	6	**116**	86
Loss on disposal of items of property, plant and equipment	6	**545**	1,924
Write-down of inventories to net realisable value	6	**565**	5,252
Impairment of trade receivables	6	**65**	129
		75,927	58,914
(Increase)/decrease in trade receivables		**(202,675)**	59,796
Increase in prepayments, deposits and other receivables		**(2,867)**	(324)
(Increase)/decrease in inventories		**(24,383)**	2,694
Increase in amount due from related companies		**(544)**	(52)
Increase in an amount due from the ultimate holding company		**(6,957)**	(746)
Increase/(decrease) in trade payables		**172,355**	(42,527)
Increase/(decrease) in accruals and other payables		**1,648**	(714)
Increase in amount due to a related company		**31**	–
Increase/(decrease) in an amount due to the ultimate holding company		**729**	(3,328)
Cash generated from operations		**13,264**	73,713
Interest received		**641**	1,578
Interest paid		**(148)**	(406)
Income tax paid		**(3,366)**	(7,198)
Net cash flows generated from operating activities		**10,391**	67,687

Consolidated Statement of Cash Flows

31 December 2009

	Notes	2009 US$'000	2008 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged bank balances		**615**	107
Increase in time deposits with an initial term of more than three months		**(10,743)**	(9,111)
Purchases of items of property, plant and equipment		**(18,680)**	(16,340)
Additions of leasehold land prepayments		**(136)**	(1,345)
Proceeds from disposal of leasehold land prepayment		**1,007**	707
Proceeds from disposal of items of property plant and equipment		**33**	–
Net cash flows used in investing activities		**(27,904)**	(25,982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(107)**	(200)
Payment of capital element of finance lease payables		**(724)**	(641)
Dividend paid		**(17,419)**	(19,876)
New bank borrowings		**38,968**	34,079
Repayment of bank borrowings		**(38,692)**	(34,133)
Net cash flows used in financing activities		**(17,974)**	(20,771)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(35,487)**	20,934
Cash and cash equivalents at beginning of year		**70,212**	49,278
CASH AND CASH EQUIVALENTS AT END OF YEAR		**34,725**	70,212
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash on hand	21	**33**	105
Cash at banks, unrestricted	21	**34,692**	70,107
		34,725	70,212

Statement of Financial Position

31 December 2009

	Notes	2009 US$'000	2008 US$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**89,963**	78,963
Total non-current assets		**89,963**	78,963
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**13,548**	9,032
Cash and bank balances	21	**817**	11,481
Total current assets		**14,365**	20,513
CURRENT LIABILITIES			
Accruals and other payables	23	**17**	29
Total current liabilities		**17**	29
NET CURRENT ASSETS		**14,348**	20,484
NET ASSETS		**104,311**	99,447
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**1,282**	1,282
Reserves	28(c)	**90,126**	89,778
Proposed final dividends	11	**12,903**	8,387
Total equity		**104,311**	99,447

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Notes to Financial Statements

31 December 2009

1. Corporate information

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 Direct	Indirect	Principal activities
		US$'000	%	%	
Regent Manner (BVI) Limited ("Regent BVI")	British Virgin Islands 10 August 2006	50,630	100	–	Investment holding
Regent Manner Limited ("Regent HK")	Hong Kong 11 April 1997	89,963	–	100	Manufacture and sale of electronic products, provision of subcontracting services and investment holding
Regent Electron (Ningbo) Co., Ltd. ("Regent Ningbo") (note a)	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 a)	The PRC 19 January 2006	10,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

Notes to Financial Statements

31 December 2009

1. Corporate information *(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")	The PRC 9 August 1999	27,500	–	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 of 5,000 registered capital	–	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 of 10,000 registered capital	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Taiwan Surface Mounting Technology (Ningbo) Co., Ltd. ("TSMT Ningbo") (note a)	The PRC 8 February 2006	5,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

1. Corporate information *(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	Percentage of equity attributable to the Company Indirect	Principal activities
		US$'000	%	%	
Taiwan Surface Mounting Technology (Suzhou) Electronic Co., Ltd. ("TSMT Suzhou")	The PRC 24 June 2002	35,000	–	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
Regent Electron (Dongguan) Co., Ltd. ("Regent Dongguan")	The PRC 15 September 2009	0 of 10,000 registered capital	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Ningbo Yongfu Trade Co., LTD. ("Ningbo Yongfu") (note a)	The PRC 18 September 2009	30	–	100	Wholesale of electronic and other products; imports and exports activities

Notes to Financial Statements

31 December 2009

1. Corporate information *(continued)*

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 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. However, pursuant to the resolutions of the board of directors of Regent Ningbo FTZ, Regent Ningbo and TSMT Ningbo dated 19 December 2009, the proposed merger was cancelled.

Pursuant to the resolutions of the board of directors of TSMT Ningbo and Ningbo Yongfu dated 26 December 2009, TSMT Ningbo plan to be merged with Ningbo Yongfu, after which TSMT Ningbo will be dissolved. The Group is in the process of obtaining relevant governmental approvals.

The directors of the Company believe the change of the proposed merger plan mentioned above would not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2009.

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 2009. 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 Changes in accounting policy and disclosure

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new and revised HKFRSs has had no significant effect on 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*
HKFRS 2 Amendments	*Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	*Amendments to HKFRS 7 Financial Instruments: Disclosures -Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	*Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	*Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)	*Amendments to a number of HKFRSs*

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

Notes to Financial Statements

31 December 2009

2.2 Changes in accounting policy and disclosure *(continued)*

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

(a) 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*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the statement of comprehensive income in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. 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. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

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. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The amendments have had no impact on the financial position or result of operations of the Group.

2.2 Changes in accounting policy and disclosure *(continued)*

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces 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 concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

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 includes 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 has elected to present one single statement.

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

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 has had no impact on the financial position or results of operations of the Group.

Notes to Financial Statements

31 December 2009

2.2 Changes in accounting policy and disclosure *(continued)*

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

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. The 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 have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits 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 has had no impact on the financial position or results of operations of the Group.

2.2 Changes in accounting policy and disclosure *(continued)*

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces 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 has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

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 statement of comprehensive income as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. 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.

(n) In October 2008, the HKICPA issued its first Improvements to HKFRSs which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

Notes to Financial Statements

31 December 2009

2.2 Changes in accounting policy and disclosure *(continued)*

- HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- HKAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use. In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognized and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- HKAS 27 *Consolidated and Separate Financial Statements:* Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- HKAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

2.2 Changes in accounting policy and disclosure *(continued)*

- HKAS 39 *Financial Instruments: Recognition and Measurement:* (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the remeasurement of the hedged item when paragraph AG8 of HKAS 39 is applicable.

- HKAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property.

2.3 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	*Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	*Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	*Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 39 Amendment	*Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	*Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	*Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

(continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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.

2.4 Summary of significant accounting policies *(continued)*

Employee 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 statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14.5% – 30% of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income 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. All other borrowing costs are recognised as expenses in the consolidated statement of comprehensive income in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, 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.

Notes to Financial Statements

31 December 2009

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 in 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms 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 a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For the purpose of the consolidated statement of cash flows, 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 statement of comprehensive income 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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 end of the reporting period 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 the end of each reporting period 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 utilized. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of deferred tax assets to be recovered.

Notes to Financial Statements

31 December 2009

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 by the end of each reporting period.

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 statement of comprehensive income 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.

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 statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replace at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 statement of comprehensive income 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.

Notes to Financial Statements

31 December 2009

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income by way of a reduced depreciation charge.

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 statement of comprehensive income 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 statement of comprehensive income 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. 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.

The Group's financial assets include cash and bank balances, trade and other receivables, due from the ultimate holding company and due from related companies.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 Summary of significant accounting policies *(continued)*

Investments and other 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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss recognised in the statement of comprehensive income and removed transferred from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

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.

2.4 Summary of significant accounting policies *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

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 when:

- the rights to receive cash flows from the asset have expired;

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

Notes to Financial Statements

31 December 2009

2.4 Summary of significant accounting policies *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

2.4 Summary of significant accounting policies *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited in the statement of comprehensive income.

Notes to Financial Statements

31 December 2009

2.4 Summary of significant accounting policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, and interest-bearing loans bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

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 statement of comprehensive income.

2.4 Summary of significant accounting policies *(continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market bid prices or dealer price quotations (price for long positions and ask price for short positions), without any deduction for transaction costs. For financial investments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventory

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 statement of cash flows, 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 statement of financial position, cash and bank balances comprise cash on hand and at banks and time deposits, which are not restricted as to use.

Notes to Financial Statements

31 December 2009

2.4 Summary of significant accounting policies *(continued)*

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 end of the reporting period 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 statement of comprehensive income.

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 end of the reporting period. 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 2009 are US$328,000 (2008: US$363,000). Further details are contained in note 15 to the financial statements.

2.5 Significant accounting judgements and estimates *(continued)*

Estimation uncertainty *(continued)*

(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.

3. Segment information

For management purpose, the Group is organised into one business unit – electronic products. Management monitors the results of this segment in making decisions about resources allocation and performance assessment.

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

Accordingly, no segment analysis by operating and geographical segments is provided for the year ended 31 December 2009.

Notes to Financial Statements

31 December 2009

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:

	2009	2008
	US$'000	US$'000
Revenue		
Sale of goods	**769,518**	444,229
Subcontracting service income	**3,921**	12,043
	773,439	456,272
Other income and gain		
Interest income	**641**	1,578
Exchange gain	**15**	1,402
Sale of scraps	**117**	25
Others	**645**	1,060
	1,418	4,065
	774,857	460,337

5. Finance costs

	2009	2008
	US$'000	US$'000
Interest on bank and other borrowings	**148**	406
Interest on finance leases	**107**	200
Bank charges	**541**	663
	796	1,269

6. Profit before income tax

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

	Notes	2009 US$'000	2008 US$'000
Employee benefits expense (including directors' emoluments (note 7)):			
Wages and salaries		**17,931**	17,730
Pension scheme contributions		**902**	1,135
		18,833	18,865
Cost of inventories sold		**691,905**	335,328
Cost of services provided		**3,001**	10,612
Depreciation of property, plant and equipment	13	**11,091**	10,204
Amortisation of leasehold land prepayments	14	**116**	86
Loss on disposal of items of property, plant and equipment		**545**	1,924
Impairment of trade receivables		**65**	129
Auditors' remuneration		**264**	380
Minimum lease payments under operating leases in respect of:			
Buildings		**559**	695
Machinery		**764**	762
Research and development costs		**4,524**	3,591
Write-down of inventories to net realisable value		**565**	5,252

Notes to Financial Statements

31 December 2009

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:

	2009	2008
	US$'000	US$'000
Fees	**186**	137
Other emoluments:		
Salaries, allowances, and benefits in kind	**230**	331
Bonuses	**65**	56
	481	524

(a) Independent non-executive directors

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

	2009	2008
	US$'000	US$'000
Mr. Kwok Kwan-Hung	**23**	2
Mr. Wang Mie-Nan	**15**	2
Ms. Lin Yen-Yu	**15**	2
	53	6

There are no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

7. Director's emoluments *(continued)*

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances, and benefits in kind	Bonuses	Total
	US$'000	US$'000	US$'000	US$'000
2009				
Executive directors:				
Mr. Wu Kai-Hsiung	**39**	**69**	**20**	**128**
Ms. Han Min	**23**	**28**	**5**	**56**
Ms. Tseng Yu-Ling, Kelly	**23**	**34**	**11**	**68**
	85	**131**	**36**	**252**
Non-executive director:				
Mr. Wu Kai-Yun	**46**	**99**	**30**	**175**
	131	**230**	**66**	**427**
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
	85	97	27	209
Non-executive director:				
Mr. Wu Kai-Yun	46	234	29	309
	131	331	56	518

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

8. Five highest paid employees

The five highest paid employees of the Group during the year include three directors (2008: two) and two non-director individuals (2008: three), details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2008: three) highest paid, non-director individuals during the year is as follows:

	2009	2008
	US$'000	US$'000
Salaries, allowances and benefits in kind	**119**	162
Bonuses	**20**	21
	139	183

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

	Number of employees	
	2009	2008
Nil to HKD1,000,000	**2**	3

During the year ended 31 December 2009, 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.

9. Income tax

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

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

In accordance with Departmental Interpretation and Practice Note 21 (Revised) paragraph 16 published by the Inland Revenue Department of Hong Kong, the directors of the Company considered that Regent HK, a Hong Kong manufacturing business involved in the manufacturing activities in the PRC, is entitled to a 50:50 apportionment of profits generated from the sale of good manufactured in the PRC. As a result, Regent HK provided for Hong Kong profits tax at 8.25% on the estimated assessable profits arising in Hong Kong for 2009 (2008: 8.25%).

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% (2008: 25%) 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.

Subsidiaries operate in the PRC 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, 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 2009 are as follows:

	2009 US$'000	2008 US$'000
Current Tax		
Hong Kong	1,790	498
The PRC	6,027	4,377
Deferred tax (note 15)	994	642
Income tax	8,811	5,517

	2009					
	Hong Kong		The PRC		Total	
	US$'000	%	US$'000	%	US$'000	%
Profit before income tax	21,699		42,232		63,931	
Tax at the applicable tax rate	1,790	8.25%	10,558	25.00%	12,348	19.31%
Effect of differences in tax rates	–	–	(6)	(0.01%)	(6)	(0.01%)
Effect of tax exemption	–	–	(4,300)	(10.18%)	(4,300)	(6.73%)
Expenses not deductible for tax	–	–	9	0.02%	9	0.01%
Tax losses not recognised	–	–	82	0.19%	82	0.13%
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	678	1.61%	678	1.06%
Tax charge at the Group's effective rate	1,790	8.25%	7,021	16.62%	8,811	13.78%

9. Income tax *(continued)*

	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)	(0.15%)	(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%

10. Total comprehensive income attributable to owners of the parent

The consolidated comprehensive income attributable to owners of the parent for the year ended 31 December 2009 includes a profit of US$22,283,000 (2008: US$19,782,000) which has been dealt with in the financial statements of the Company (note 28(c)).

11. Dividends

	2009 US$'000	2008 US$'000
Interim – HK7 cent per ordinary share (2008:HK 8.5 cents)	**9,032**	10,901
Proposed final -HK10 cent per ordinary share (2008:HK 6.5 cents)	**12,903**	8,387
	21,935	19,288

An interim dividend of HK7 cent (2008: HK8.5 cent) per ordinary share amounting to HK$70,000,000 (equivalent to approximately US$9,032,000) was paid on 29 September 2009 to shareholders on the register of members of the Company at the close of business on 21 September 2009.

The proposed final dividend in respect of the year ended 31 December 2009 of HK10 cent (2008: 6.5 cent) per ordinary share, amounting to a total dividend of HK$100,000,000 (equivalent to US$12,903,000) 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 total comprehensive income 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.

	2009	2008
Profit attributable to ordinary equity holders of the parent (US$'000)	**55,120**	36,774
Weighted average number of ordinary shares in issue ('000)	**1,000,000**	1,000,000

Basic earnings per share for the year ended 31 December 2009 is calculated by dividing the profit for the year attributable to equity holders of the Company of US$55,120,000 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 2009 as there are no dilutive options and other potential dilutive ordinary shares in issue during the current year (2008: Nil).

13. Property, plant and equipment

31 December 2009	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 2008 and 1 January 2009							
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
At 1 January 2009, net of accumulated depreciation	13,132	65,965	6,759	562	652	3,424	90,494
Additions	–	3,422	983	83	315	12,303	17,106
Disposals	–	(452)	(118)	(2)	(6)	–	(578)
Depreciation provided during the year	(802)	(8,210)	(1,604)	(173)	(302)	–	(11,091)
Transfers	3,404	9,582	394	88	13	(13,481)	–
At 31 December 2009, net of accumulated depreciation	15,734	70,307	6,414	558	672	2,246	95,931
At 31 December 2009:							
Cost	17,838	94,909	9,719	1,048	1,412	2,246	127,172
Accumulated depreciation:	(2,104)	(24,602)	(3,305)	(490)	(740)	–	(31,241)
Net carrying amount	15,734	70,307	6,414	558	672	2,246	95,931

Notes to Financial Statements

31 December 2009

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

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

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 2009 amounted to US$1,971,000 (2008: US$2,299,000).

14. Leasehold land prepayments

	2009	2008
	US$'000	US$'000
Cost at 1 January, net of accumulated amortisation	**7,775**	7,223
Additions	**136**	1,345
Disposals	**(1,007)**	(707)
Amortisation provided during the year	**(116)**	(86)
At 31 December	**6,788**	7,775
At 31 December		
Cost	**7,088**	7,959
Accumulated amortisation	**(300)**	(184)
Net carrying amount	**6,788**	7,775

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 2009, 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$1,434,000 as at 31 December 2009 (2008: US$3,020,000).

Notes to Financial Statements

31 December 2009

15. Deferred tax

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

Deferred tax assets	Notes	Write down of inventories to net realisable value	Unapproved disposal of fixed assets	Total
At 1 January 2008		193	–	193
Recognised in the statement of comprehensive income during the year	9	(110)	568	458
At 31 December 2008		83	568	651
Recognised in the statement of comprehensive income during the year	9	(78)	(253)	(331)
At 31 December 2009		5	315	320

Deferred tax liabilities		Deductible temporary differences related to depreciation of property, plant and equipment	Withholding tax Provided	Total
At 1 January 2008		313	–	313
Recognised in the statement of comprehensive income during the year	9	150	950	1,100
At 31 December 2008		463	950	1,413
Recognised in the statement of comprehensive income during the year	9	(15)	678	663
Transferred to tax payable		–	(950)	(950)
At 31 December 2009		448	678	1,126

15. Deferred tax *(continued)*

At 31 December 2009, the Group do not recognise any deferred tax assets in respect of its tax losses as disclosed below:

	2009	2008
	US$'000	US$'000
Tax losses	**328**	363

16. Investments in subsidiaries

	Company	
	2009	2008
	US$'000	US$'000
Unlisted shares, at cost	**89,963**	78,963

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

17. Inventories

	2009	2008
	US$'000	US$'000
Raw materials	**24,273**	12,061
Work in progress	**6,346**	–
Finished goods	**8,427**	3,167
	39,046	15,228

Notes to Financial Statements

31 December 2009

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 2009, the Group's risk that arises from exposure to the top five debtors amounted to US$269,148,000 (2008: US$98,440,000).

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

	2009	2008
	US$'000	US$'000
Within 90 days	**241,557**	75,058
Between 91 days to 180 days	**69,182**	33,357
Between 181 days to 365 days	**286**	–
	311,025	108,415

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

	2009	2008
	US$'000	US$'000
Neither past due nor impaired	**307,341**	108,060
Less than 30 days past due	**3,684**	355
	311,025	108,415

18. Trade receivables *(continued)*

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.

19. Prepayments, deposits and other receivables

	Group		**Company**	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables discounted to banks	**6,182**	4,923	**–**	–
Rental and other deposits	**1,856**	1,022	**–**	–
Prepayments	**1,946**	865	**–**	–
Deposit with a subtracting factory	**66**	1,208	**–**	–
Dividend receivable	**–**	–	**13,548**	9,032
Others	**1,039**	204	**–**	–
	11,089	8,222	**13,548**	9,032

As at 31 December 2009 and 2008, 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.

Notes to Financial Statements

31 December 2009

20. Due from related companies and the ultimate holding company

	2009 US$'000	2008 US$'000
Trade balances with:		
(i) Related companies:		
Hitop Communications Corporation (controlled by the same ultimate holding company: TSMT Taiwan)	**165**	52
High-Toned Opto Technology Corporation (controlled by the same ultimate holding company: TSMT Taiwan)	**431**	–
	596	52
(ii) The ultimate holding company:		
TSMT Taiwan	**7,703**	746

Trade balances with the related parties are unsecured and interest-free, aged less than 120 days, and have no fixed terms of repayment.

21. Cash and bank balances

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Cash on hand	**33**	105	**–**	–
Cash at banks, unrestricted	**34,692**	70,107	**817**	11,481
Time deposits with initial term of more than three months	**23,844**	13,101	**–**	–
Pledged bank balances	**–**	615	**–**	–
	58,569	83,928	**817**	11,481

21. Cash and bank balances *(continued)*

As at the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately US$50,604,000 (2008: US$22,886,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

22. Trade payables

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

	2009	2008
	US$'000	US$'000
Within 90 days	**186,615**	64,532
Between 91 to 180 days	**94,358**	44,109
Between 181 to 365 days	**67**	44
	281,040	108,685

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

Notes to Financial Statements

31 December 2009

23. Accruals and other payables

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Accrued wages, salaries and staff welfare	**5,666**	4,378	**–**	–
Accrued expenses	**938**	854	**–**	–
Payables for purchases of consumables	**1,193**	1,423	**–**	–
Value-added tax payables	**–**	220	**–**	–
Payables for purchases of property, plant and equipment and construction in process	**588**	2,162	**–**	–
Others	**1,734**	901	**17**	29
	10,119	9,938	**17**	29

24. Interest-bearing bank borrowings

	2009	2008
	US$'000	US$'000
Unsecured bank borrowings repayable within one year	**13,113**	12,837

The Group's bank borrowings bear interest at rates ranging from 0.85% to 1.39% (2008: 1.46% to 3.87%) per annum.

The Group's bank borrowings amounting to US$13,113,000 is denominated in United States dollars (2008: US$12,837,000).

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

As at 31 December 2009, total bank loan facilities of US$53,800,000 (2008: US$17,500,000) granted to the Group bear interest at rate ranging from 1.50% to 1.98% (2008: 3.00% to 4.80%). The loan facilities are unsecured, and have not been utilised by the Group as at 31 December 2009.

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 fourteen months to seventeen months.

At 31 December 2009, 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	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Amounts payable:				
Within one year	**268**	938	**244**	831
In the second year	**–**	268	**–**	244
Total minimum finance lease payments	**268**	1,206	**244**	1,075
Future finance charges	**(24)**	(131)		
Total net finance lease payables	**244**	1,075		
Portion classified as current liabilities	**(244)**	(831)		
Non-current portion	**–**	244		

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

	2009 US$'000	2008 US$'000
Trade balances with:		
(i) A related company:		
Hitop Communications Corporation	**31**	–
(ii) The ultimate holding company:		
TSMT Taiwan	**1,922**	1,193

Trade payables to related parties aged less than 180 days. They are unsecured, interest-free and have no fixed terms of repayment.

27. Share capital

	2009 US$'000	2008 US$'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.

28. Reserves *(continued)*

(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.

(c) Reserves of the Company

31 December 2009	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 2009		**49,891**	**39,363**	**524**	**89,778**	**8,387**
Total comprehensive income for the year		**–**	**–**	**22,283**	**22,283**	**–**
2008 final dividend	11	**–**	**–**	**–**	**–**	**(8,387)**
Interim dividend	11	**–**	**–**	**(9,032)**	**(9,032)**	**–**
Proposed final dividend	11	**–**	**–**	**(12,903)**	**(12,903)**	**12,903**
At 31 December 2009		**49,891**	**39,363**	**872**	**90,126**	**12,903**

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
Total comprehensive income for the year		–	–	19,782	19,782	–
2007 final dividend		–	–	–	–	(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

29. 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 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009 **US$'000**	2008 US$'000
Within one year	**1,158**	1,235
In the second to fifth years, inclusive	**427**	935
	1,585	2,170

30. Commitments

Capital commitments

In addition to the operating lease commitments detailed in note 29, the Group had the following commitments at the respective balance sheet dates:

	2009 **US$'000**	2008 US$'000
Contracted, but not provided for:		
Purchases of plant and machinery	**556**	544
Construction of buildings	**8,774**	426
Capital injection to certain PRC subsidiaries	**43,450**	33,450

31. 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:

	2009 US$'000	2008 US$'000
Purchases of raw materials from (note (i)):		
TSMT Taiwan	**2,372**	3,531
Hitop Communications Corporation	**31**	–
High-Toned Opto Technology Corporation	**5**	–
Purchases of goods from (note (i)):		
TSMT Taiwan	**537**	805
Sales of goods to (note (i)):		
TSMT Taiwan	**21,132**	746
Hitop Communications Corporation	**876**	540
High-Toned Opto Technology Corporation	**434**	–
Purchase of machinery from (note (i)):		
TSMT Taiwan	**847**	–
Product development service fee charged by (note (i)):		
TSMT Taiwan	**576**	–

Note:

(i) The directors of the Company consider that the selling prices of goods, the purchase prices of raw materials, machinery and the product development service 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 2009, individual income tax liabilities amounting to US$1,721,000 have been recorded in the Group's financial statements.

Notes to Financial Statements

31 December 2009

32. 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	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**311,025**	108,415	**–**	–
Financial assets included in prepayments, deposits and other receivables	**7,287**	6,335	**13,548**	9,032
Due from related companies	**596**	52	**–**	–
Due from the ultimate holding company	**7,703**	746	**–**	–
Cash and bank balances	**58,569**	83,928	**817**	11,481
	385,180	199,476	**14,365**	20,513

Financial liabilities

	Financial liabilities at amortised cost			
	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**281,040**	108,685	**–**	–
Financial liabilities included in accruals and other payables	**10,119**	9,718	**17**	29
Finance lease payables	**244**	1,075	**–**	–
Interest-bearing bank borrowings	**13,113**	12,837	**–**	–
Due to the ultimate holding company	**1,922**	1,193	**–**	–
Due to a related company	**31**	–	**–**	–
	306,469	133,508	**17**	29

33. 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 1% (2008: 2%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, while almost 7% (2008: 10%) 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
2009		
If United States dollar weakens against Renminbi	**5**	**1,281**
If United States dollar strengthens against Renminbi	**(5)**	**(1,281)**
2008		
If United States dollar weakens against Renminbi	5	1,030
If United States dollar strengthens against Renminbi	(5)	(1,030)

33. 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
2009		
United States dollar	**5**	**(7)**
United States dollar	**(5)**	**7**
2008		
United States dollar	5	(18)
United States dollar	(5)	18

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 87% (2008: 91%) of the Group's total trade receivables as at 31 December 2009. The maximum exposure to credit risk of the Group is represented by the carrying amount of trade receivables presented in the consolidated statement of financial position. 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.

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

Credit risk *(continued)*

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 76% (2008: 64%) of the Group's total cash and cash equivalents as at 31 December 2009.

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:

	2009				
	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	9	–	244
Interest-bearing bank borrowings	–	13,113	–	–	13,113
Trade payables	64,986	64,020	152,034	–	281,040
Accruals and other payables	6,154	3,965	–	–	10,119
Due to the ultimate holding company	–	1,922	–	–	1,922
Due to a related company	31	–	–	–	31
	71,171	83,255	152,043	–	306,469

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

Liquidity risk *(continued)*

	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

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 2009 and 31 December 2008.

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.

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

Capital management *(continued)*

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

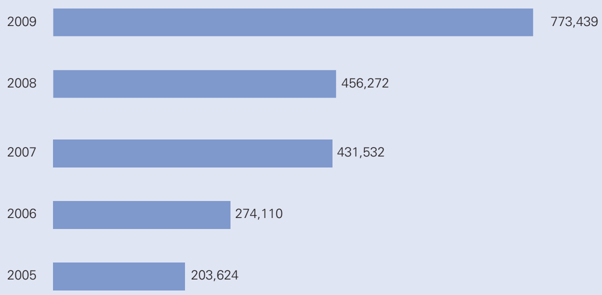
	2009	2008
	US$'000	US$'000
Interest-bearing bank borrowings	**13,113**	12,837
Finance lease payables	**244**	1,075
Trade payables	**281,040**	108,685
Accruals and other payables	**10,119**	9,938
Tax payable	**6,553**	1,152
Due to the ultimate holding company	**1,922**	1,193
Due to a related company	**31**	–
Less: Cash and cash equivalents	**(34,725)**	(70,212)
Net debt	**278,297**	64,668
Equity attributable to owners of the parent	**216,919**	179,218
Capital and net debt	**495,216**	243,886
Gearing ratio	**56%**	27%

34. Approval of financial statements

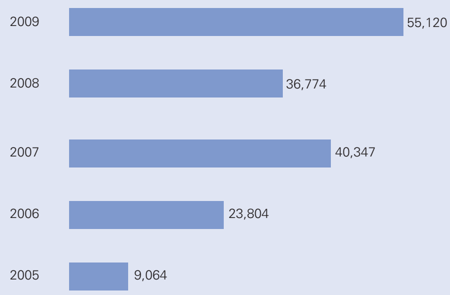
The financial statements were approved and authorised for issue by the board of directors on 19 March 2010.

Financial Summary

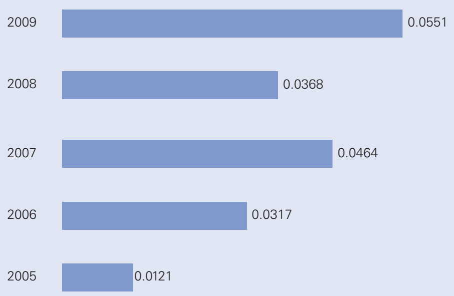
Revenue (US$'000)



Profit for the year (US$'000)



Earnings per share (US$)



Net Assets (US$'000)