峻凌國際控股有限公司

Regent Manner International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1997

RMIH

Annual Report 2012

Contents

Corporate Information

Board of Directors

Executive Directors

Wu Kai-Hsiung *(Note 1)*
Han Min
Tseng Yu-Ling

Non-executive Directors

Wu Kai-Yun *(Chairman) (Note 2)*

Independent non-executive Directors

Kwok Kwan Hung *FCPA (Practising), FCCA, B.S.C. (Hons), FHKIoD*
Hsu Wey-Tyng
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

Chan Lai Yi, Karen *FCPA, FCCA*

Authorized representatives

Wu Kai-Hsiung *(Note 3)*
Chan Lai Yi, Karen *FCPA, FCCA*

Members of audit committee

Kwok Kwan Hung *(Chairman)*
Hsu Wey-Tyng
Lin Yen-Yu

Members of remuneration committee

Hsu Wey-Tyng *(Chairman)*
Lin Yen-Yu
Kwok Kwan Hung

Members of nomination committee

Lin Yen-Yu *(Chairman)*
Kwok Kwan Hung
Hsu Wey-Tyng

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Legal Adviser

PHILLIPS Solicitors

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

Notes

1 Re-designated to a non-executive director on 22 January 2013.

2 Re-designated to an executive director on 22 January 2013.

3 Changed to Wu Kai-Yun since 22 January 2013.

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Regent Manner International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), it is my pleasure to present to our shareholders the consolidated results of the Group for the year ended 31 December 2012.

2012 was a challenging operating year as prevailing economic headwinds led to delays in the mass production of our clients' new product lines. As one of the key suppliers in the control board and light bar supply chain of notable computer brands, the interruption has subsequently decreased the utilization rate of our production facilities during the year. Coupled with rising labour costs and production overheads, such factors combined have hence placed significant pressure on our gross profit margin, which declined to approximately 7.2% from approximately 8.3% last year. The Group has since adopted all necessary measures to strengthen its risk management and cost control, which included new machinery upgrades to automate production lines and a flexible components sourcing strategy. The Group's production facility in Qingdao has also been relocated and consolidated into our Hefei manufacturing base at the end of 2012, so as to further lower overall overhead costs and to better serve our key panel clients within the area. Such initiatives were crucial in sustaining our competitiveness during times of uncertainty.

The Board has resolved to recommend a final dividend of HK$0.05 per share. Together with the interim dividend of HK$0.05 per share paid to shareholders on 19 October 2012, the total dividend paid for the year ended 31 December 2012 amounted to HK$0.1 per share, representing a dividend payout ratio of approximately 44.0% (2011: approximately 43.7%).

The Group's traditional product series, control boards for the thin-film transistor liquid crystal display ("TFT-LCD"), continued to register steady growth during the year given the Group's long-term relationship with reputable customers such as AU Optronics and Samsung. Sales of our control board for white appliance products, such as washing machines and refrigerators, is also gaining traction, thanks to the on-going rural subsidy programmes aimed to stimulate domestic consumption of electrical appliances nationwide.

Looking ahead, the management considers the outlook for fiscal year 2013 to be promising as the imminent roll-out of our clients' new products, namely tablet PCs, will be the core driver of our LED light bar segment for the year. Moreover, according to latest industry statistics, the tablet PC sales is forecasted to surpass the traditional PC sales in 2013, further highlighting the Group's growth prospects in this segment. The increasing penetration of touch panel capabilities on notebooks and monitors is also of note and will bring positive revenue driver for our new control board for touch panel products.

Baring any unforeseen circumstances, the Group believes that the above factors will bring sequential improvement in our gross profit margin and production scale in the foreseeable future. Supported by our all-rounded business scale, I am confident that the Group will continue to maintain its leading position in the industry's value chain and will achieve sustainable profitability for our shareholders.

Chairman's Statement

Appreciation

On behalf of the Board, I would like to thank our management team and employees for their dedication and contribution to the Group. In addition, I would like to extend my sincere gratitude to our shareholders, customers and suppliers for their continual confidence and support.

Wu Kai-Yun
Chairman

18 March 2013

Management Discussion and Analysis

Business and Financial Review

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"). The Group's integrated production solutions include materials procurement and management, process engineering design, SMT processing, quality assurance, logistics management and after-sales services.

Turnover

For the year ended 31 December 2012, the Group recorded a turnover of approximately US$1,566,356,000 (for the year ended 31 December 2011: approximately US$1,476,553,000) representing a growth of approximately 6.1% over the year. Increase in revenue during the year was primarily attributable to the increase of shipment of LED light bar.

Gross Profit

The gross profit for the year ended 31 December 2012 was approximately US$112,753,000 (for the year ended 31 December 2011: approximately US$123,197,000, representing a decline of approximately 8.5% over the previous year.

The overall gross profit margin of the Group for the year ended 31 December 2012 reduced to approximately 7.2% from approximately 8.3% of last year. It was mainly due to (i) changes in the shipped product mix: increase in revenue was mainly contributed by the LED light bar which has a lower gross profit margin; (ii) delay in mass production of the new products of our customers has led to a decrease of utilization rate of our production facilities in some of the months during the year; and (iii) increase in staff cost, as well as other production overhead compared with the previous year.

Net Profit

Being affected by the decrease of gross profit for the year ended 31 December 2012, the net profit for the year reduced by approximately 25.7% to approximately US$62,984,000 from approximately US$84,786,000 for the year ended 31 December 2011.

Furthermore, in line with the decline of overall gross profit margin, the net profit margin for the year also reduced from approximately 5.7% in 2011 to approximately 4.0% in 2012.

Liquidity and Financial Resources

As at 31 December 2012, the Group's net current assets was approximately US$218,746,000 (31 December 2011: approximately US$178,711,000) which consisted of current assets amounted to approximately US$733,730,000 (31 December 2011: approximately US$679,841,000) and current liabilities amounted to approximately US$514,984,000 (31 December 2011: approximately US$501,130,000). The current ratio, defined as current assets over current liabilities, was approximately 1.42 times as at 31 December 2012, which was higher than approximately 1.36 times as at 31 December 2011.

As at 31 December 2012, the cash and bank balances amounted to approximately US$150,612,000 (31 December 2011: approximately US$148,898,000) while the unsecured bank borrowings within one year was approximately US$20,439,000 (31 December 2011: approximately US$57,716,000); and the bank borrowings beyond one year was approximately US$41,200,000 (31 December 2011: approximately US$27,700,000).

The gearing ratio, defined as total borrowings (other than payables in ordinary course of business) over total equity, as at 31 December 2012 was approximately 16% (31 December 2011: approximately 25%). The decrease of gearing ratio was mainly due to the decrease of bank borrowings in relation to the expansion of plant facilities.

The Board is in the opinion that the Group is 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.

The Group's sales and procurements were mainly transacted in US dollars. The Group does not foresee significant exposure to exchange risk.

Capital Expenditure

The Group invested approximately US$43 million during the year ended 31 December 2012 for the acquisition of land use rights, construction of factory premises, purchase and installation of plant machinery, equipment and other tangible assets, as compared to approximately US$61 million for the year ended 31 December 2011. These capital expenditures were fully financed by the internal resources of the Group and bank borrowings.

Capital Commitments and Contingent Liabilities

As at 31 December 2012, the future capital commitments for which the Group had contracted but not provided for amounted to approximately US$26,295,000 which relate mainly to the construction of plants in PRC regions. As at 31 December 2012, the Group had no significant contingent liabilities.

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 2012, the Group had 10,302 employees (31 December 2011: 11,225 employees). Total wages and related cost for the year ended 31 December 2012 amounted to approximately US$75,288,000 (for the year ended 31 December 2011: approximately US$59,635,000)

Prospects

Products and business

During the year of 2012, the sales orders for SMT production solutions applied to LED light bars for tablet computers and control boards for touch-panels keep surging. In the future, the above businesses, together with the business of SMT production solutions specialized for TFT-LCD products, will continue to be the main business of the Group. Since last year, the Group's new business in relation to the SMT production solutions for LED general lighting and white appliances has started to make contribution to the Group. The Group will keep developing new solutions for more advanced applications and other high-end electronic products in order to expand the source of income and enhance profitability.

Customers

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. Furthermore, the Group will continue to maintain its focus on the global major players of TFT-LCD panel as well as touch-panel industry from China, Japan, Korea and Taiwan, the international brands of LED lighting equipment and white appliances manufacturers in the PRC, and will enlarge its customer base by exploring opportunity of business with other global manufacturers.

Production capacity

The Group will also expand its production capacity to cater for increasing demand from customers and to continuously invest in advanced production facilities to enhance production efficiency and quality. During the year of 2012, the Group has kept enhancing the production facilities of the plants in Xiamen and Suzhou respectively to cope with the new orders for manufacturers of touch-panels and control panels of advanced tablet-computers. Over the previous year, the Group has established 7 additional SMT production lines, making up 179 SMT production lines in total as at the end of 2012. The Group expects that 10 to 15 production lines will be built in 2013 mainly in Suzhou, Chongqing and Xiamen to cope with the increasing orders from customers in those regions. The Group will also consolidate the capacity of the factory that was running in low utilization rate in general in order to improve the overall utilization rate.

Industry

Moving forward, thanks to the government policies to promote energy-saving in many countries, technology evolution, as well as the increasing desire for advanced and energy-saving devices in the consumer market, particularly the common application of touch-panel. With those surging demand, the TFT-LCD industry is expected to show healthy growth driven by growing market demand for new generation of TFT-LCD products. Furthermore, the demand from the consumer and industrial and commercial market for energy-saving devices and LED lighting equipment is accelerating. It is favourable for the Group to expand its new business in those markets.

The Group will capture this business opportunity by working closely with its major customers to strive for promising operating results and enhance shareholders' value. With the positive momentum continuing since the beginning of 2013, the Group's management is confident that its business will continue to grow in the foreseeable future and generate good returns to the Company's shareholders.

Directors' Profile

Directors

Chairman and non-executive Director

Wu Kai-Yun (伍開雲), aged 53, 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 the Company's ultimate holding company, Taiwan Surface Mounting Technology Corp, (the "TSMT Taiwan"), a company listed on the Taiwan Stock Exchange. Prior to founding TSMT Taiwan in 1990, Mr. Wu has worked in Sampo Corporation (聲寶股份有限公司), whose principal activities are the manufacturing and sales of electrical home appliances, as an engineer since June 1982. He also worked in MiTAC International Corporation (神達電腦股份有限公司), which is principally engaged in the design and manufacturing of personal computers, server products and mobile communication products, as a supervisor for the department of engineering, research and development in May 1987, and then joined Efa Corp. (憶華科技股份有限公司), a company engaging in the manufacturing of electronic products and electronic games equipment, as an assistant manager for the manufacturing department in July 1988. Being the founder of the Group, Mr. Wu has more than 29 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. (Mr. Wu was appointed as the chief executive officer of the Company to replace Mr. Wu Kai-Hsiung and was re-designated as an executive Director with effect from 22 January 2013).

Executive Directors

Wu Kai-Hsiung (伍開雄), aged 43, is an executive Director, the chief executive officer (the "CEO") of the Company, and the general manager of Suzhou plant. 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 Dongguan and served as the plant manager thereof from 1997 to 2006, during which he also established Ningbo plant in 2006. Mr. Wu has more than 20 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 to concentrate on the business management of the Company. 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 Mr. Wu Kai-Yun. (Mr. Wu resigned as CEO and was re-designated as a non-executive Director with effect from 22 January 2013).

Han Min (韓敏), aged 36, is an executive Director, the Chief Marketing Officer (the "CMO") of the Company, and the deputy general manager of Suzhou plant. Ms. Han is currently responsible for the overall operation and management of Regent Electron (Suzhou), as well as the development and relations maintenance of certain major customers. From 1997 to 1998, she rendered her services as supervisor of the production management and sales department of Dongguan plant. From 1999 to 2001, Ms. Han was responsible for the initial production management and sales activities of Suzhou plant. From 2002 to 2004, she served as assistant manager of Suzhou plant and was promoted as manager of the marketing and procurement department of Suzhou plant in 2005. Starting from 2006, Ms. Han held the position as head of the operation, equipment and materials department, mainly responsible for customer development, equipment and materials operation and supply chain management. Since 2010 to date, Ms. Han is deputy general manager of Suzhou plant. She completed the courses of EMBA administration in the school of management in Fudan University between 2006 and 2007 and received a university diploma with a bachelor degree in arts in Business English from Beijing Foreign University (beiwai online) in 2010.

Tseng Yu-Ling (曾玉玲), aged 35, is an executive Director and chief financial officer (the "CFO") of the Company. 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 47, is an independent non-executive Director. Mr. Kwok is a certified public accountant and accomplished a bachelor degree in Science from The University of London. He is currently an executive director and was previously an independent non-executive director of Sage International Group Limited (formerly known as Info Communication Holdings Limited), a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Kwok was also an independent non-executive director (from September 2004 to August 2006) and an executive director (from August 2006 to April 2008) of Nam Hing Holdings Limited (now known as China Environmental Energy Investment Limited), the shares of which are listed on the main board of the Stock Exchange, and an independent non-executive director of Sun International Group Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, from August 2006 to December 2008. 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.

Hsu Wey-Tyng (徐蔚婷), aged 39, is an independent non-executive Director. Ms. Hsu holds a Bachelor of Science in Economics from the National Taiwan University. She also received a Master Degree of Information Systems Management in Carnegie Mellon University and a Master Degree of Business Administration in Finance in National Taipei University. Ms. Hsu started her career with Citibank N.A. Corporate Banking as Senior Assistant Manager in 2003 and resigned from her last position as Relationship Manager in Global Relationship Banking division in 2008. Besides, she has been acting as a specialist in General Management Office in Silan Corporation and as a project manager specialized in E-commerce in ECBYTE Co. Ltd. in Taiwan during 1998 to 2001.

Lin Yen-Yu (林晏瑜), aged 39, is an independent non-executive Director. 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 currently the Asia Sourcing Manager of Gex pro. She was the General Manager of Supply Chain & Procurement of Ryerson China Limited from January to September 2011, and was the Asia Supplier Development Manager of Supply Technologies from 2004 to 2011, and was the International Sales Manager/Project Manager of National Aerospace Fastener Corp from 1997 to 2003.

Corporate Governance Report

Corporate Governance Practices

The Group is committed to ensure high standard 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 2012, the Group has complied with the applicable code provisions set out in the Code on Corporate Governance Practice (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) 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 2012.

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 8 to 9 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 14 of this annual report.

The independent non-executive Directors will provide independent views and share their knowledge and experience with the other members of the Board. 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.

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; (iv) ensure that the business and operation of the Group are managed by properly authorized and competent management; (v) maintaining effective system of internal control; (vi) formulating policies and performing functions of corporate governance.

Meetings of the Board

The Board held four regular Board meetings at approximately quarterly interval during the year of 2012. 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 14 of this annual report.

Directors' continuous professional development

During the year, all Directors were provided with continuous updates on applicable legal and regulatory requirements. Individual Directors also participated in courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of reading the relevant materials. Particularly in 2012, in response to the Corporate Governance Code (effective from 1 April 2012) and the new amendments to associated Listing Rules, the Group has organized a briefing session for the Directors on 11 May 2012 for the updates on the relevant new amendments. Internal guidance notes were also issued to Directors to enhance their understanding of the new requirements.

In addition, every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under laws, regulations and especially the governance policies of the Company.

Trainings received by each of the Directors during the year ended 31 December 2012 are set out in the table on page 14 of this annual 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 14 of this annual report.

Non-executive Director and Chairman

The non-executive Director and Chairman, 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 Hsu Wey-Tyng. 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, two remuneration committee meetings were held and the attendance of each member is set out in the attendance table on page 14 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 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 and Chairman has entered into an appointment letter with the Company for a term of three years 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, and renewable thereafter.

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

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

Nomination Committee

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference in compliance of the Corporate Governance Code. The Nomination Committee comprises all of the independent non-executive Directors and is chaired by Lin Yen-Yu. The Nomination Committee meeting shall be held at least once a year. During the year, two remuneration committee meetings were held and the attendance of each director is set out in the attendance table on page 14 of this annual report.

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

Audit Committee

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee will meet at least four times each year with the main duties of providing an independent review of the effectiveness of the Group's financial reporting process, internal control and risk management systems. The Audit Committee comprises all of the independent non-executive Directors and is chaired by Kwok Kwan Hung. During the year, five audit committee meetings were held and the attendance of each Director is set out in the attendance table on page 14 of this annual report.

The principle responsibilities of the Audit Committee include (i) reviewing the financial information and accounting policies 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; (iv) to comply other duties as set out in the Corporate Governance Code.

Corporate Governance Function

The Board is collectively responsible for performing the corporate governance duties including:

(a) to develop, review and update the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and

(f) to perform such other corporate governance duties and functions set out in the Corporate Governance Code (as amended from time to time) for which the Board is responsible.

Attendance of meetings and training records of Directors

Name of director	Position	Mode of continuous professional development	Attendance out of number of meetings: Board	Independent Board	Remuneration Committee	Nomination Committee	Audit Committee	Annual General Meeting
Executive Directors								
Wu Kai-Hsiung	CEO	A,B	9/9					1/1
Han Min	CMO	A,B	9/9					1/1
Tseng Yu-Ling	CFO	A,B	9/9					1/1
Non-executive Director								
Wu Kai-Yun	Chairman	A,B,D,E	9/9					1/1
Independent non-executive Directors								
Kwok Kwan Hung		A,B	7/9	7/7	2/2	2/2	5/5	1/1
Lin Yen-Yu		A,B	7/9	7/7	2/2	2/2	5/5	1/1
Hsu Wey Tyng		A,B	7/9	7/7	2/2	2/2	5/5	1/1

A: reading materials relating to the economy, general business, electronic industry or Directors' duties and responsibilities, etc.

B: attending courses, seminars, conferences or forums

C: giving talks at seminars or conferences or forums

D: attending corporate events or visits

E: Hosting shareholders' visits

Auditor's remuneration

An analysis of the remuneration of the Company's auditor, PricewaterhouseCoopers, for the year ended 31 December 2012 set out below:

	Fee paid/payable Approximately US$'000
Service rendered	
Audit fee for 2012 annual audit	145
Non audit service	18
Total	163

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 2012, 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 has established and maintained various channels of communication with the Company's shareholders and the public to ensure that they are provided of the Company's latest news and business development.

Information relating to the Company's financial information and corporate details and major events are disseminated on timely basis through publications of interim and annual reports, announcements, circulars, press release etc. The Company will maintain regular communication with institutional investors or analysts to address their enquiries on the Group's strategic plans, operations and management.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, on the website of the Company http://www.rmih.com in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, if they have any enquiries about their shareholdings and entitlements to dividend.

Pursuant to the code provisions of the Corporate Governance Code, in respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. The chairman of the Board and each respective committee, as well as the external auditor, should attend the annual general meeting to answer questions at the meeting. The chairman of the independent Board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

The Company would arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

Subject to the provision of the Company's Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the proposal(s) of the meeting, and must be signed by the relevant shareholder(s) and deposited at the principal office of the Company in Hong Kong at the attention of the Company Secretary.

There is no significant change in the Company's constitutional documents during the year.

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 the pleasure in presenting their report together with the audited financial statements of the Group for the year ended 31 December 2012.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Group are set out in note 1 to the financial statements and the Group 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 operating segment – 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 overseas and majority of the goods sold are transported directly to the external customers' subsidiaries located in the PRC. 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 2012.

Results and dividends

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 34 of this annual report.

During the year, the directors of the Company proposed and declared an interim dividend of HK$0.05 per ordinary share, totalling HK$107,488,273 (equivalent to approximately US$13,857,000) for the six months ended 30 June 2012 (for the six months ended 30 June 2011: approximately US$18,239,000).

The Board has proposed a final dividend of HK$0.05 per share for the year ended 31 December 2012 based on 2,149,765,464 ordinary shares in issue, totalling HK$107,488,273 (equivalent to approximately US$13,861,000). The final dividend is subject to the approval at the forthcoming annual general meeting of the Company to be held on 27 May 2013 and is expected to be paid on or about 26 June 2013 to shareholders whose names appear on the register of members of the Company at the close of business on 5 June 2013.

Total dividend for the year amounted to approximately US$27,718,000 (2011: approximately US$37,047,000). The details of dividends proposed for the year are set out in note 29 to the financial statements.

Closure of Register of Members

For determining entitlement to attend the annual general meeting of the Company, the register of members will be closed from 23 May 2013 to 27 May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend the annual general meeting of the Company, 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 22 May 2013.

For determining entitlement to the final dividend, the register of members will be closed from 4 June 2013 to 5 June 2013, both days inclusive, during which period 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 3 June 2013. Dividend warrants are expected to be dispatched on or about 26 June 2013.

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 98 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 63% and 19% 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 43% and 18% 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 land use rights

Details of the movements in property, plant and equipment and land use rights of the Group during the year are set out in notes 6 and 7 to the financial statements, respectively.

Share capital

Details of the movements in share capital of the Company are set out in note 14 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 16 to the financial statements, respectively.

Distributable reserves

As at 31 December 2012, the Company's reserves available for distribution to shareholders comprised the retained profits amounted to approximately US$375,000 and the share premium of the Company amounted to approximately US$84,070,000. Under the Companies Law of the Cayman Islands, the share premium of the Company 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.

Directors

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

Executive Directors:

Wu Kai-Yun (Chairman) *(since 22 January 2013)*
Wu Kai-Hsiung *(up to 22 January 2013)*
Han Min
Tseng Yu-Ling

Non-executive Director:

Wu Kai-Yun (Chairman) *(up to 22 January 2013)*
Wu Kai-Hsiung *(since 22 January 2013)*

Independent non-executive Directors:

Kwok Kwan Hung
Hsu Wey-Tyng
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 emoluments of Directors on a named basis are set out in note 24 to the financial statements.

Biographical details of Directors

Brief biographical details of Directors are set out on page 8 to 9 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 2012.

Directors' service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years 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 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 and renewable for successive terms thereafter.

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

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

Share Option Scheme

In accordance with the Company's share option scheme adopted on 19 June 2007 (the "Share Option Scheme"), the board of the directors may grant options to eligible participants, including employees and directors, of the Company and any of its subsidiaries to subscribe for shares of the Company. The number of shares, which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and other schemes adopted by the Group, is not permitted to exceed 30% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted under the Share Option Scheme and other schemes adopted by the Group in aggregate is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The total number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the share of the Company in issue at any 12-month period. Consideration of HK$1 is payable by the grantee on the acceptance of option granted. Option may be exercised from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses and 10 years from the offer date of that option. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing prices of the shares on the Stock Exchange on the date of the grant of the options, the average of the closing prices of the shares for the five trading days immediately preceding the date of the grant of the options and the nominal value of the shares.

The Share Option Scheme is valid and effective for a period of 10 years commencing from the adoption date after which no further options may be issued.

As approved by the Board meeting on 11 December 2012, 13,000,000 share options were granted to the Directors and certain employees at an exercise price of HK$1.41 per share. Details and movement of share options are set out in note 15 to the financial statements.

Other than the share option schemes disclosed above, at no time during the year was the company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors and chief executives of the company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the company or its associated corporation.

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

As at 31 December 2012, 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:

Interests in shares

		Number of ordinary shares held				
Name of Director	Company/name of associated corporation	Personal interest	Family interest *(Note 1)*	Total	Percentage of interest in the relevant issued share capital	Number of share options
Wu Kai-Yun	the Company	6,872,628		6,872,628	0.32%	600,000
Wu Kai-Hsiung	the Company	3,927,216		3,927,216	0.18%	350,000
Han Min	the Company	–		–	0.00%	500,000
Tseng Yu-Ling	the Company	992,682		992,682	0.05%	350,000
Lin Yen-Yu	the Company	–		–	0.00%	300,000
Kwok Kwan Hung	the Company	50,000		50,000	0.00%	300,000
Hsu Wey-Tyng	the Company	–		–	0.00%	300,000
Wu Kai-Yun	TSMT Taiwan	8,993,333	11,142,731	20,136,064	7.83%	
Wu Kai-Hsiung	TSMT Taiwan	599,906	222,454	822,360	0.32%	
Tseng Yu-Ling	TSMT Taiwan	93,429		93,429	0.04%	
Hsu Wey-Tyng	TSMT Taiwan	1,058,829		1,058,829	0.41%	

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	*Note 2*	Personal & Family *Note 1*	*Note 3*	*Note 3*
Wu Kai-Hsiung	*Note 2*	Personal & Family *Note 1*	*Note 3*	*Note 3*
Tseng Yu-Ling	*Note 2*	Personal	*Note 3*	*Note 3*

Notes:

1. The relevant shares were held by the spouse and/or children aged under 18 of the relevant Directors.

2. Subsidiaries of TSMT Taiwan:
   Taiwan Surface Mounting Technology (B.V.I.) Co., Limited
   Taiwan Surface Mounting Technology Co. Limited
   Taiwan Surface Mounting Technology (U.S.A.) Co., Limited
   High-Toned Opto Technology Corporation
   High-Toned Opto Technology (Suzhou) Limited
   Hitop Communications Corporation
   Gene Han (Shenzhen) Limited
   Tai Ming Green Power Co., Limited

   Associated companies of TSMT Taiwan:
   Uniflex Technology (Jiangsu) Limited
   Uniflex Technology Inc.

3. 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 2012, 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 2012, 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	1,587,355,634	73.84%
TSMT Taiwan	Interest of a controlled corporation	1,587,355,634	73.84%

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 2012, 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 32 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 6 April 2011, the Group entered into an agreement (the "2012-2014 Purchase Agreement") to extend a purchase agreement with TSMT Taiwan regarding the Group's purchase of finished goods from TSMT Taiwan and its subsidiary other than the Group (the "TSMT Taiwan Group") for another three years ending 31 December 2014. The annual caps for the transaction amount of the purchase of finished goods from TSMT Taiwan Group for each of the three years ending 31 December 2014 are US$12.0 million, US$12.0 million and US$12.0 million respectively. The transaction contemplated under the 2012-2014 Purchase Agreement have been disclosed in the announcement dated 7 April 2011. For the year ended 31 December 2012, the actual transaction amount was approximately US$820,000.

(2) On 6 April 2011, the Group entered into an agreement (the "2012-2014 Procurement Agreement") to extend a procurement agreement with TSMT Taiwan regarding the Group's purchase of raw materials and components from TSMT Taiwan Group for another three years ending 31 December 2014. 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 2014 are US$30.0 million, US$30.0 million and US$30.0 million respectively. The transactions contemplated under the 2012-2014 Procurement Agreement have been disclosed in the announcement dated 7 April 2011. For the year ended 31 December 2012, the actual transaction amount was approximately US$23,461,000.

(3) On 6 April 2011, the Group entered into an agreement (the "2012-2014 Supply Agreement") to extend a supply agreement with TSMT Taiwan regarding the Group's sales of finished goods to TSMT Taiwan for another three years ending 31 December 2014. The annual caps for the transaction amount of the sales of finished goods to TSMT Taiwan for each of the three years ended 31 December 2014 are US$60.0 million, US$60.0 million and US$60.0 million respectively. The transactions contemplated under the 2012-2014 Supply Agreement have been disclosed in the announcement dated 7 April 2011 and were approved by the shareholders of the Company (the "Shareholders") at the extraordinary shareholders' meeting (the "EGM") held on 13 May 2011. For the year ended 31 December 2012, the actual transaction amount was approximately US$36,779,000.

(4) On 6 April 2011, the Group entered into an agreement (the "2012-2014 New Supply Agreement") to extend a new supply agreement with TSMT Taiwan regarding the Group's sales of finished goods to TSMT Taiwan Group for another three years ending 31 December 2014. 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 2014 are US$66.0 million, US$72.6 million and US$80.0 million respectively. The transactions contemplated under the 2012-2014 New Supply Agreement have been disclosed in the announcement dated 7 April 2011 and were approved by the Shareholders at the EGM held on 13 May 2011. For the year ended 31 December 2012, the actual transaction amount was approximately US$39,353,000.

(5) On 6 April 2011, the Group entered into an agreement (the "2012-2014 Product Development Service Agreement") to extend a product development service agreement with TSMT Taiwan regarding the provision of product development service by TSMT Taiwan Group to the Group for another three years ending 31 December 2014. 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 2014 are US$2.4 million, US$2.4 million and US$2.4 million respectively. The transactions contemplated under the 2012-2014 Product Development Service Agreement have been disclosed in the announcement dated 7 April 2011. For the year ended 31 December 2012, the actual transaction amount was approximately US$1,336,000.

(6) On 6 April 2011, the Group entered into an agreement (the "2012-2014 Machinery and Equipment Purchase Agreement") to extend a purchase agreement with TSMT Taiwan regarding the Group's purchase of machinery and equipment from TSMT Taiwan Group for another three years ending 31 December 2014. The annual caps for the transaction amount of the acquisition of machinery and equipment from TSMT Taiwan Group for each of the three years ending 31 December 2014 are US$1.5 million, US$1.5 million and US$1.5 million respectively. The transactions contemplated under the 2012-2014 Machinery and Equipment Purchase Agreement have been disclosed in the announcement dated 7 April 2011. For the year ended 31 December 2012, the actual transaction amount was approximately US$66,000.

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 Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his conclusions in respect of the continuing connected transactions for the year ended 31 December 2012 as disclosed above in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

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 2012.

Directors' interests in contracts

Save as disclosed above in this directors' report, no contracts of significance, 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 2012.

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 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.

Auditor

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

By order of the Board

Wu Kai-Yun
Chairman

Hong Kong, 18 March 2013

Independent Auditor's Report

pwc 羅兵咸永道

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

We have audited the consolidated financial statements of Regent Manner International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 97, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2013

Consolidated Balance Sheet

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
		As at 31 December 2012	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**205,622**	186,527
Land use rights	7	**5,690**	6,311
Prepayments for land use rights	7	**557**	1,695
Deferred tax assets	20	**1,061**	–
		212,930	194,533
Current assets			
Inventories	9	**71,022**	83,714
Trade receivables	10	**461,750**	394,717
Prepayments, deposits and other receivables	11	**33,711**	31,798
Due from related companies	12	**1,634**	8,318
Due from the ultimate holding company	12	**15,001**	12,396
Cash and bank balances	13	**150,612**	148,898
		733,730	679,841
Total assets		**946,660**	874,374
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	**1,379**	1,337
Share premium	14	**84,070**	70,277
Other reserves	16		
– Proposed final dividend		**13,861**	18,808
– Others		**285,487**	250,126
Total equity		**384,797**	340,548

Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 2012 US$'000	 2011 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**41,200**	27,700
Deferred tax liabilities	20	**5,679**	4,996
		46,879	32,696
Current liabilities			
Trade payables	17	**439,561**	402,545
Accruals and other payables	18	**22,693**	22,128
Borrowings	19	**20,439**	57,716
Due to the ultimate holding company	21	**7,530**	3,976
Due to related companies	21	**4,328**	248
Current income tax liabilities		**20,433**	14,517
		514,984	501,130
Total liabilities		**561,863**	533,826
Total equity and liabilities		**946,660**	874,374
Net current assets		**218,746**	178,711
Total assets less current liabilities		**431,676**	373,244

The notes on pages 37 to 97 are an integral part of these consolidated financial statements.

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Company Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	8	**123,978**	109,963
Current assets			
Other receivables		**645**	–
Cash and bank balances	13	**668**	1,211
		1,313	1,211
Total assets		**125,291**	111,174
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	**1,379**	1,337
Share premium	14	**84,070**	70,277
Other reserves	16		
– Proposed final dividend		**13,861**	18,808
– Others		**25,934**	20,705
Total equity		**125,244**	111,127
LIABILITIES			
Current liabilities			
Accruals and other payables	18	**47**	47
Total equity and liabilities		**125,291**	111,174
Net current assets		**1,266**	1,164
Total assets less current liabilities		**125,244**	111,127

The notes on pages 37 to 97 are an integral part of this financial statement.

Wu Kai-Yun
Director

Wu Kai-Hsiung
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
		For the year ended 31 December	
Revenue	5	**1,566,356**	1,476,553
Cost of sales	23	**(1,453,603)**	(1,353,356)
Gross profit		**112,753**	123,197
Selling and distribution costs	23	**(3,012)**	(2,326)
Administrative expenses	23	**(32,914)**	(25,162)
Other gains – net	22	**950**	2,875
Operating profit		**77,777**	98,584
Finance income	25	**3,386**	3,783
Finance costs	25	**(1,118)**	(401)
Finance income, net	25	**2,268**	3,382
Profit before income tax		**80,045**	101,966
Income tax expense	26	**(17,061)**	(17,180)
Profit for the year attributable to equity holders of the Company		**62,984**	84,786
Other comprehensive income:			
Currency translation differences		**76**	1,936
Total comprehensive income for the year attributable to equity holders of the Company		**63,060**	86,722
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	28	**US$0.0297**	US$0.0416
– diluted	28	**US$0.0297**	US$0.0416
Dividends	29	**27,718**	37,047

The notes on pages 37 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Note	Attributable to equity holders of the Company Share capital US$'000	 Share premium US$'000	 Other reserves US$'000	 Total US$'000
Balance at 1 January 2011		1,302	56,709	218,660	276,671
Comprehensive income					
Profit for the year		–	–	84,786	84,786
Other comprehensive income					
– Currency translation differences		–	–	1,936	1,936
		–	–	86,722	86,722
Transaction with owners					
Proceeds from warrants issued		–	–	38	38
2010 final dividends		–	–	(18,247)	(18,247)
2011 interim dividends	29	–	–	(18,239)	(18,239)
Shares issued under scrip dividend scheme		35	13,568	–	13,603
		35	13,568	(36,448)	(22,845)
Balance at 31 December 2011		1,337	70,277	268,934	340,548
Balance at 1 January 2012		**1,337**	**70,277**	**268,934**	**340,548**
Comprehensive income					
Profit for the year		**–**	**–**	**62,984**	**62,984**
Other comprehensive income					
– Currency translation differences		**–**	**–**	**76**	**76**
		–	**–**	**63,060**	**63,060**
Transaction with owners					
Employees share option scheme					
– Value of directors and employee services	15	**–**	**–**	**19**	**19**
2011 final dividends	29	**–**	**–**	**(18,808)**	**(18,808)**
2012 interim dividends	29	**–**	**–**	**(13,857)**	**(13,857)**
Shares issued under scrip dividend scheme	14	**42**	**13,793**	**–**	**13,835**
		42	**13,793**	**(32,646)**	**(18,811)**
Balance at 31 December 2012		**1,379**	**84,070**	**299,348**	**384,797**

The notes on pages 37 to 97 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Note	For the year ended 31 December 2012 US$'000	2011 US$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**96,676**	100,238
Interest paid		**(1,118)**	(401)
Income tax paid		**(11,523)**	(11,754)
Net cash generated from operating activities		**84,035**	88,083
Cash flows from investing activities			
Purchase of property, plant and equipment		**(42,842)**	(60,312)
Proceeds from disposal of property, plant and equipment	30(b)	**399**	146
Payment for land use rights		**(650)**	(1,036)
(Increase)/decrease in time deposits with initial terms of more than three months		**(14,727)**	6,076
Interest received		**2,705**	1,395
Net cash used in investing activities		**(55,115)**	(53,731)
Cash flows from financing activities			
Proceeds from borrowings		**260,789**	374,077
Proceeds from warrants issued		**–**	38
Repayments of borrowings		**(284,337)**	(324,883)
Dividends paid		**(18,837)**	(22,883)
Net cash (used in)/generated from financing activities		**(42,385)**	26,349
Net (decrease)/increase in cash and cash equivalents		**(13,465)**	60,701
Cash and cash equivalents, beginning of the year	13	**133,291**	70,200
Exchange differences		**452**	2,390
Cash and cash equivalents, end of the year	13	**120,278**	133,291

The notes on pages 37 to 97 are an integral part of these consolidated financial statements.

1 General 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 Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacture and sale of electronic products and the provision of related subcontracting services.

These consolidated financial statements are presented in United States dollar ("US$") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Amended standard and amendments adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning 1 January 2012.

Amendment to HKFRS 7 "Disclosures -Transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. This amendment promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment will result in additional disclosures where necessary.

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first – time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 1 (Amendment)	'First time adoption', on government loans	1 January 2013
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted (continued)

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009-2011 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		Effective for annual periods beginning on or after
HKFRS 1	First time adoption	1 January 2013
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

The Group has assessed HKFRS 10's full impact and concluded there is no significant impact on the consolidated financial statements. The Group intends to adopt HKFRS 10 in the accounting period beginning on 1 January 2013.

The Group is in the process of making assessment of the impact of these new or revised HKFRSs upon initial adoption.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains – net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies (continued)

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced plant is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

	Annual Depreciation Rate
Buildings	4.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	9%
Furniture and office equipment	18%
Vehicles	18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'other gains – net' in the consolidated statement of comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less impairment, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.6 Land use rights

All land in the People's Republic of China (the "PRC") is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets

The Group's financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "deposits and other receivables", "due from related companies", "due from the ultimate holding company" and "cash and bank balances" in the balance sheet (Notes 10, 11, 12 and 13 respectively).

Loans and receivables are initially recognised at fair value and then subsequently carried at amortised cost using the effective interest method.

A financial asset is derecognised when:

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

- The Group has transferred 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 the control of the asset.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies *(continued)*

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group assesses at the end of each reporting period whether there is objective evidence that trade and other receivables is impaired. Trade and other receivables is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the trade and other receivables that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between trade and other receivables' carrying amount and the present value of estimated future cash flows discounted at the trade and other receivables' original effective interest rate. The carrying amount of trade and other receivables is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies *(continued)*

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares, options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less in the normal operating cycle of the business. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(continued)*

2.16 Employee benefits

The Group has arranged for its Hong Kong employee to join the Mandatory Provident Fund Scheme (the "MPF"), a defined contribution plan. Under the MPF, the Group and its Hong Kong employee make monthly contributions to the scheme at 5% of the employee's earnings as defined under the Mandatory Provident Fund legislation, subject to a cap of HK$2,500 per month, and any excess contributions are voluntary.

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join defined contribution plans, including pension, medical, housing and other welfare benefits, organised by the PRC government. According to the relevant regulations, the monthly contributions that should be borne by the PRC subsidiaries of the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling. The assets of these plans are held separately from those of the Group in independent funds managed by the PRC government.

The Group has no further payment obligations once the above contributions have been paid. The Group's contributions to these plans are charged to the consolidated statement of comprehensive income as incurred.

2.17 Share-based payments

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from directors and employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 Summary of significant accounting policies *(continued)*

2.17 Share-based payments *(continued)*

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity on the Company's financial statements.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies *(continued)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a Group's entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(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 a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies *(continued)*

2.20 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.21 Research and development expenses

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 probable 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.

2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies *(continued)*

2.23 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors as appropriate.

2.25 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, as adjusted to reflect the rights issue (if any) during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

As majority of sales, purchases and financing activities of the Group is carried out in US$, foreign exchange risk arises from sales or purchases by operating units in currencies other than US$, which are mainly denominated in Renminbi (the "RMB") and Hong Kong dollar ("HK$") (pegged with US$). The Group has not hedged its foreign exchange rate risk because the exposure is not significant.

As at 31 December 2012 and 2011, if US$ had strengthened/weakened by 10% against RMB with all other variables held constant, the pre-tax profit for each year would have been decreased/increased by US$5,290,000 and US$6,820,000 respectively, mainly as a result of foreign exchange losses/gains on translation of RMB denominated cash and bank balances, trade receivables, other receivables, trade payables, other payables and borrowings.

(ii) Interest-rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 19.

The Group historically has not used any financial instruments to hedge its exposure to interest rate risk.

As at 31 December 2012, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the pre-tax profit for the year would have been approximately US$357,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The carrying amounts of cash and bank balances, due from related companies and the ultimate holding company, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

As at 31 December 2012 and 2011, all cash and bank balances were deposited in reputable financial institutions and were hence without significant credit risk. Management does not expect any losses from non-performance by these counterparties.

Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis. 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 60% (31 December 2011: 62%) of the Group's total trade receivables as at 31 December 2012.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group's objective is to maintain adequate committed credit lines to ensure sufficient and flexible funding is available to the Group.

Details of unsecured bank loan facilities granted by certain banks that have not been utilised by the Group are described in Note 19.

As at 31 December 2012, the Group held cash and bank balances of US$150,612,000 (31 December 2011: US$148,898,000) (Note 13) and trade receivables of US$461,750,000 (31 December 2011: US$394,717,000) (Note 10) that are expected to readily generate cash inflows for managing liquidity risk.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000
As at 31 December 2012			
Borrowings and interests payable (i)	**21,186**	**18,898**	**23,500**
Trade payables	**439,561**	**–**	**–**
Other payables	**11,612**	**–**	**–**
Due to the ultimate holding company	**7,530**	**–**	**–**
Due to related parties	**4,328**	**–**	**–**
As at 31 December 2011			
Borrowings and interests payable (i)	58,279	4,143	24,871
Trade payables	402,545	–	–
Other payables	13,192	–	–
Due to the ultimate holding company	3,976	–	–
Due to related parties	248	–	–

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2012 and 2011 without taking account of future issues.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank borrowings (Note 19) divided by total equity.

The gearing ratio at 31 December 2012 is of 16.0% (at 31 December 2011:25.1%).

3 Financial risk management *(continued)*

3.3 Fair value estimation

The carrying value of trade and other receivables less impairment, trade and other payables, due from/to related companies and ultimate holding company, current borrowings are assumed to approximate their fair values. For non-current borrowings, the fair value is disclosed in Note 19.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previous estimation, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Current tax and deferred tax

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

4 Critical accounting estimates and judgments *(continued)*

(c) Net realisable value of inventories

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 historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

(d) Provision for impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the provision at each balance sheet date.

5 Revenue and segment information

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 is as below:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Sales of goods	**1,559,066**	1,470,696
Subcontracting service income	**7,290**	5,857
Total revenue	**1,566,356**	1,476,553

5 Revenue and segment information *(continued)*

For management purpose, the Group is organised into one operating segment – 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 overseas and majority of the goods sold are transported directly to the external customers' subsidiaries located in the PRC. 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 2012.

Revenue derived from single external customers that each amount to more than 10 percent of the Group's revenue is listed as below:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Company A	**300,079**	284,062
Company B	**293,236**	240,891
Company C	**221,739**	221,288
	815,054	746,241

6 Property, plant and equipment – Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture and office equipment	Vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2011							
Cost	17,838	2,385	133,051	12,816	1,683	20,467	188,240
Accumulated depreciation and impairment	(2,959)	(879)	(34,067)	(4,764)	(773)	–	(43,442)
Net book amount	14,879	1,506	98,984	8,052	910	20,467	144,798
Year ended 31 December 2011							
Opening net book amount	14,879	1,506	98,984	8,052	910	20,467	144,798
Additions	–	2,887	14,441	5,362	617	37,029	60,336
Disposals	–	–	(1,509)	(355)	(6)	–	(1,870)
Transfers	35,015	–	15,272	–	–	(50,287)	–
Depreciation (Note 23)	(1,107)	(1,381)	(12,870)	(2,650)	(352)	–	(18,360)
Exchange differences	341	24	1,149	98	11	–	1,623
Closing net book amount	49,128	3,036	115,467	10,507	1,180	7,209	186,527
At 31 December 2011							
Cost	53,258	5,285	157,633	16,597	2,192	7,209	242,174
Accumulated depreciation and impairment	(4,130)	(2,249)	(42,166)	(6,090)	(1,012)	–	(55,647)
Net book amount	49,128	3,036	115,467	10,507	1,180	7,209	186,527
Year ended 31 December 2012							
Opening net book amount	**49,128**	**3,036**	**115,467**	**10,507**	**1,180**	**7,209**	**186,527**
Additions	**–**	**1,472**	**–**	**1,823**	**453**	**38,886**	**42,634**
Disposals	**–**	**(32)**	**(519)**	**(632)**	**(30)**	**–**	**(1,213)**
Transfers	**2,885**	**322**	**14,678**	**–**	**–**	**(17,885)**	**–**
Depreciation (Note 23)	**(2,405)**	**(1,697)**	**(14,850)**	**(3,033)**	**(422)**	**–**	**(22,407)**
Exchange differences	**17**	**2**	**56**	**5**	**1**	**–**	**81**
Closing net book amount	**49,625**	**3,103**	**114,832**	**8,670**	**1,182**	**28,210**	**205,622**
At 31 December 2012							
Cost	**56,165**	**6,337**	**168,744**	**15,490**	**2,422**	**28,210**	**277,368**
Accumulated depreciation and impairment	**(6,540)**	**(3,234)**	**(53,912)**	**(6,820)**	**(1,240)**	**–**	**(71,746)**
Net book amount	**49,625**	**3,103**	**114,832**	**8,670**	**1,182**	**28,210**	**205,622**

6 Property, plant and equipment – Group *(continued)*

During the year ended 31 December 2012, depreciation expenses have been charged in the consolidated statement of comprehensive income as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Cost of sales	**18,852**	15,968
Selling and distribution costs	**913**	296
Administrative expenses	**2,642**	2,096
	22,407	18,360

7 Land use rights – Group

The Group's interests in land use rights represent the prepaid operating lease payments and their net book values are analysed as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
In the PRC, held on lease of 50 years		
Cost	**6,273**	6,766
Accumulated amortisation	**(583)**	(455)
	5,690	6,311

7 Land use rights – Group *(continued)*

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Opening	**6,311**	4,623
Additions	**650**	1,776
Transfer to other receivables (Note a)	**(1,163)**	–
Amortisation (Note 23)	**(137)**	(124)
Exchange differences	**29**	36
	5,690	6,311

Note:

(a) During the year ended 31 December 2012, the Group entered into an agreement with the local government authority to return the land use right of a subsidiary to the authority or certain third party company introduced by the authority. The land use right with net book amount of USD1,163,000 is expected to be recovered within 12 months after 31 December 2012 and is transferred to other receivables accordingly.

(b) As at 31 December 2012, the Group is in the process of applying for land use right certificates from the relevant PRC government authorities for certain parcels of land in use. The net book value of the underlying land use rights was US$708,000 as at 31 December 2012 (as at 31 December 2011: US$722,000).

As at 31 December 2012, the Group has entered into contracts with relevant PRC government authorities for acquiring certain parcels of land located in the PRC with the prepayments of US$557,000 as at 31 December 2012 (as at 31 December 2011: US$1,695,000). The prepayments for land use rights are not subject to amortisation.

8 Investments in subsidiaries – Company

(a) Investments in subsidiaries

	As at 31 December	
	2012	2011
	US$'000	US$'000
Unlisted investments, at cost	**123,963**	109,963
Capital contribution relating to share-based payment	**15**	–
	123,978	109,963

The capital contribution relating to share based payment refers to 10,100,000 share options granted by the Company to employees of subsidiary undertakings in the Group. Refer to note 15 for further details on the Group's share option schemes.

(b) Details of subsidiaries

The following is a list of the principal subsidiaries at 31 December 2012:

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	84,630	100	–	Investment holding
Regent Manner Limited ("Regent HK")	Hong Kong	123,963	–	100	Manufacture and sale of electronic products, provision of subcontracting services and investment holding
Regent Electron (Ningbo) Co., Ltd. ("Regent Ningbo")	The People's Republic of China (the "PRC")	20,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Suzhou) Co., Ltd. ("Regent Suzhou")	The PRC	27,500	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Xiamen) Co., Ltd. ("Regent Xiamen")	The PRC	20,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

8 Investments in subsidiaries – Company *(continued)*

(b) Details of subsidiaries *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
		US$'000	%	%	
Regent Electron (Foshan) Co., Ltd. ("Regent Foshan")	The PRC	2,500	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Langfang) Co., Ltd. ("Regent Langfang")	The PRC	2,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Taiwan Surface Mounting Technology (Suzhou) Electronic Co.,Ltd. ("TSMT Suzhou")	The PRC	35,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Chengdu) Co., Ltd. ("Regent Chengdu")	The PRC	7,440	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Dongguan) Co., Ltd. ("Regent Dongguan")	The PRC	20,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Ningbo Yongfu Trade Co., Ltd. ("Ningbo Yongfu")	The PRC	5,300	–	100	Wholesale of electronic and other products; Imports and exports activities
Regent Electron (Qingdao) Co., Ltd. ("Regent Qingdao")	The PRC	17,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Hefei) Co., Ltd. ("Regent Hefei")	The PRC	15,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Chongqing) Co., Ltd. ("Regent Chongqing")	The PRC	12,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services

8 Investments in subsidiaries – Company *(continued)*

(b) Details of subsidiaries *(continued)*

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company are 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 Main Board Securities Market in Taiwan.

Pursuant to the resolution of the board of directors of Regent Electron (Tianjin) Co., Ltd. ("Regent Tianjin", a subsidiary of the Company) dated 30 January 2012, Regent Tianjin had been dissolved as at 31 December 2012.

9 Inventories – Group

	As at 31 December	
	2012	2011
	US$'000	US$'000
Raw materials	**48,958**	62,263
Work in progress	**477**	2,918
Finished goods	**21,587**	18,533
	71,022	83,714

The cost of inventories recognised as expenses and included in cost of sales amounted to US$1,454,730,000 (for the year ended 31 December 2011: US$ 1,354,069,000) for the year ended 31 December 2012.

10 Trade receivables – Group

	As at 31 December	
	2012	2011
	US$'000	US$'000
Trade receivables	**463,695**	394,782
Less: Provision for impairment	**(1,945)**	(65)
Trade receivables, net	**461,750**	394,717

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 December	
	2012	2011
	US$'000	US$'000
RMB	**65,141**	40,096
US$	**398,554**	354,686
	463,695	394,782

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 30 days to 120 days. Trade receivables are non-interest bearing.

The ageing analysis of the trade receivables as at the balance sheet date, based on the invoice date, was as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Within 90 days	**379,753**	285,936
Between 91 days to 180 days	**80,168**	106,987
Between 181 days to 365 days	**3,126**	1,722
Over 365 days	**648**	137
	463,695	394,782

10 Trade receivables – Group *(continued)*

As of 31 December 2012, trade receivables of US$11,729,000 (31 December 2011: US$19,420,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Within 90 days	**1,892**	1,270
Between 91 days to 180 days	**6,653**	16,356
Between 181 days to 365 days	**3,079**	1,722
Over 365 days	**105**	72
	11,729	19,420

As of 31 December 2012, trade receivables of US$5,107,000 (31 December 2011: US$65,000) were impaired and provided for. The amount of the provision was US$1,945,000 as of 31 December 2012 (2011: US$65,000). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations and are therefore provided for. The ageing of these receivables is as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Within 90 days	**1,361**	–
Between 91 days to 180 days	**3,156**	–
Between 181 days to 365 days	**47**	–
Over 365 days	**543**	65
	5,107	65

10 Trade receivables – Group *(continued)*

Movements on the Group's provision for impairment of trade receivables are as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
At 1 January	**65**	193
Provision for impairment	**1,880**	–
Receivables written off during the year as uncollectible	**–**	(128)
At 31 December	**1,945**	65

The provision for impaired receivables has been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

11 Prepayments, deposits and other receivables – Group

	As at 31 December	
	2012	2011
	US$'000	US$'000
Receivable from banks in respect of non-recourse discounted trade receivables (Note a)	**13,025**	13,304
Prepaid Value Added Tax and Hong Kong profits tax	**5,375**	7,324
Prepayments	**1,882**	1,329
Rental and other deposits	**3,636**	3,288
Receivables of government grant (Note b)	**4,729**	4,716
Others	**5,064**	1,837
	33,711	31,798

11 Prepayments, deposits and other receivables – Group *(continued)*

Note:

(a) The Group entered into agreements with various banks and discount the trade receivables due from certain customers to these banks without recourse. The balances of these receivables are neither past due nor impaired, and there were no history of default related to these receivables.

(b) The Group entered into agreements with various local governments for the establishment of the production plants in these cities. According to the agreements, the local governments agreed to refund part of the payment for the land use rights to the Group as investment incentive. As of 31 December 2012, payment for the land use rights amounting to US$4,729,000 (31 December 2011: US$4,716,000) is expected to be refunded in the next 12 months and is recorded in other receivables accordingly.

12 Due from related companies and the ultimate holding company – Group

	As at 31 December	
	2012	2011
	US$'000	US$'000
Trade receivables due from:		
(i) Related companies:		
Hitop Communications Corporation (controlled by the same ultimate holding company: TSMT Taiwan)	**907**	7,648
Gene Han (Shenzhen) Limited (controlled by the same ultimate holding company: TSMT Taiwan)	**317**	510
High-Toned Opto Technology Corporation (controlled by the same ultimate holding company: TSMT Taiwan)	**251**	–
High-Toned Opto Technology (Suzhou) Limited (controlled by the same ultimate holding company: TSMT Taiwan)	**159**	160
	1,634	8,318
(ii) The ultimate holding company:		
TSMT Taiwan	**15,001**	12,396

As at 31 December 2012 and 2011, the amounts due from related companies and the ultimate holding company are within 90 days, based on the invoice date.

Trade receivables due from related companies and the ultimate holding company are unsecured, interest free and repayable on demand.

13 Cash and bank balances

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Cash on hand	**81**	93	**–**	–
Cash at bank, unrestricted	**120,197**	133,198	**668**	1,211
Cash and cash equivalents	**120,278**	133,291	**668**	1,211
Time deposits with initial term of more than three months	**30,334**	15,607	**–**	–
	150,612	148,898	**668**	1,211

The effective weighted average annual interest rate on cash at bank was 1.80% for the year ended 31 December 2012 (for the year ended 31 December 2011: 0.94%).

The carrying amounts of cash and bank balances are denominated in the following currencies:

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
RMB	**72,291**	49,767	**–**	–
US$	**77,071**	98,163	**630**	901
HK$	**676**	880	**38**	310
Others	**574**	88	**–**	–
	150,612	148,898	**668**	1,211

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 to conduct foreign exchange transactions.

14 Share capital and share premium

	Group & Company				
	Number of authorised shares	Number of issued and fully paid shares	Amount Ordinary shares	Share premium	Total
	'000	'000	US$'000	US$'000	US$'000
At 31 December 2011	10,000,000	2,084,461	1,337	70,277	71,614
Shares issued under scrip dividend scheme	–	65,304	42	13,793	13,835
At 31 December 2012	**10,000,000**	**2,149,765**	**1,379**	**84,070**	**85,449**

As at 31 December 2012, the par value of authorised and issued ordinary shares was HKD0.005 per share. The authorised share capital of the Company was HKD50,000,000 divided into 10,000,000,000 ordinary shares, among which, 2,149,765,464 ordinary shares were issued and fully paid.

As described in Note 29, on 26 June 2012, 65,303,994 ordinary shares were issued pursuant to the scrip dividend scheme.

15 Share-based payment

As approved by the Board meeting on 11 December 2012, 13,000,000 share options were granted to the directors and certain employees at an exercise price of HK$1.41 per share. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are exercisable during the following periods:

(a) up to 30% on or after 11 December 2013;

(b) up to 40% on or after 11 December 2014;

(c) all the remaining options on or after 11 December 2015;

and in each case, not later than 10 December 2016.

In December 2012, all the directors and employees accepted the share options.

15 Share-based payment *(continued)*

Movement in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2012 was as follows:

	For the year ended 31 December 2012	
	Average exercise price in HK$	Number of options
At 1 January	–	–
Granted	1.41	13,000,000
At 31 December	1.41	13,000,000

Share options outstanding at 31 December 2012 have the following expiry dates and exercise prices:

Expiry date	**Exercise price (HK$ per share)**	**Number of options**
10 December 2016	1.41	13,000,000

The weighted average fair value of options granted in 2012 determined by using the Binomial Model was HK$0.32 per option. The significant inputs into the model were share prices at the grant date, the exercise price shown above, volatility of 46.23%, dividend yield of 5.5%, and annual risk-free interest rate of 0.226%. The volatility measured at the standard deviation of the underlying stock over a time period corresponding to the remaining option life of the share options.

16 Other reserves

	Group						
	Statutory reserves US$'000	Share-based payment reserve US$'000	Merger reserve US$'000	Translation reserve US$'000	Retained earnings US$'000	Others US$'000	Total US$'000
At 1 January 2012	**18,810**	**842**	**39,363**	**2,011**	**207,870**	**38**	**268,934**
Employees share option scheme – Value of directors and employee services	**–**	**19**	**–**	**–**	**–**	**–**	**19**
Profit for the year	**–**	**–**	**–**	**–**	**62,984**	**–**	**62,984**
Appropriation of reserves	**3,041**	**–**	**–**	**–**	**(3,041)**	**–**	**–**
Currency translation differences	**–**	**–**	**–**	**76**	**–**	**–**	**76**
2011 final dividend	**–**	**–**	**–**	**–**	**(18,808)**	**–**	**(18,808)**
2012 interim dividend	**–**	**–**	**–**	**–**	**(13,857)**	**–**	**(13,857)**
At 31 December 2012	**21,851**	**861**	**39,363**	**2,087**	**235,148**	**38**	**299,348**
At 1 January 2011	14,527	842	39,363	75	163,853	–	218,660
Profit for the year	–	–	–	–	84,786	–	84,786
Appropriation of reserves	4,283	–	–	–	(4,283)	–	–
Currency translation differences	–	–	–	1,936	–	–	1,936
Proceeds from warrants issued	–	–	–	–	–	38	38
2010 final dividend	–	–	–	–	(18,247)	–	(18,247)
2011 interim dividend	–	–	–	–	(18,239)	–	(18,239)
At 31 December 2011	18,810	842	39,363	2,011	207,870	38	268,934

16 Other reserves *(continued)*

	Company				
	Share-based payment reserve US$'000	Merger reserve US$'000	Retained earnings US$'000	Others US$'000	Total US$'000
At 1 January 2012	**–**	**39,363**	**112**	**38**	**39,513**
Employees share option scheme					
– Value of directors and employee services	**19**	**–**	**–**	**–**	**19**
Profit for the year	**–**	**–**	**32,928**	**–**	**32,928**
2011 final dividend	**–**	**–**	**(18,808)**	**–**	**(18,808)**
2012 interim dividend	**–**	**–**	**(13,857)**	**–**	**(13,857)**
At 31 December 2012	**19**	**39,363**	**375**	**38**	**39,795**
At 1 January 2011	–	39,363	562	–	39,925
Profit for the year	–	–	36,036	–	36,036
Proceeds from warrants issued	–	–	–	38	38
2010 final dividend	–	–	(18,247)	–	(18,247)
2011 interim dividend	–	–	(18,239)	–	(18,239)
At 31 December 2011	–	39,363	112	38	39,513

(a) Statutory reserve

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 these 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 audited statutory financial statements, to the statutory reserve 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 reserve can be utilised to offset prior year's losses or to issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the PRC subsidiary's share capital after such utilisation.

(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.

17 Trade payables – Group

The ageing analysis of the trade payables as at the balance sheet date, based on the invoice date, was as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Within 90 days	**291,447**	257,779
Between 91 days to 180 days	**145,306**	143,702
Between 181 days to 365 days	**2,114**	657
More than 365 days	**694**	407
	439,561	402,545

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

18 Accruals and other payables

	As at 31 December			
	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Accrued wages, salaries and staff welfare	**10,640**	7,648	**–**	–
Payables for insurance, maintenance, package and utilities	**4,039**	4,063	**–**	–
Payables for purchases of consumables	**1,918**	4,606	**–**	–
Payables for purchases of property, plant and equipment and construction in process	**2,721**	2,929	**–**	–
Accrued expenses	**441**	1,288	**–**	–
Others	**2,934**	1,594	**47**	47
	22,693	22,128	**47**	47

19 Borrowings – Group

	As at 31 December	
	2012	2011
	US$'000	US$'000
Non-current		
Bank borrowings, unsecured	**41,200**	27,700
Current		
Bank borrowings, unsecured	**16,839**	57,716
Current portion of long-term bank borrowings, unsecured	**3,600**	–
	20,439	57,716
	61,639	85,416

The Group's bank borrowings mature until 2016 and bear interest at rates ranging from 0.90% to 1.80% (as at 31 December 2011: 0.75% to 2.65%) per annum as at 31 December 2012.

The exposure of the Group's borrowings with floating interest rate to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
6 months or less	**44,800**	27,700

19 Borrowings – Group *(continued)*

The carrying amounts and fair value of the non-current borrowings are as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Carrying amount	**41,200**	27,700
Fair value	**39,872**	27,124

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.86% (31 December 2011: 2.86%).

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 31 December	
	2012	2011
	US$'000	US$'000
US$	**61,639**	79,767
Japanese Yen	**–**	5,649
	61,639	85,416

As at 31 December 2012, total unsecured bank loan facilities granted by certain banks that have not been utilised by the Group amounted to US$221,361,000 (as at 31 December 2011: US$173,584,000) and will expire between April 2013 and October 2016.

20 Deferred tax – Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Deferred tax assets		
– Deferred income tax assets to be recovered within 12 months	**(1,061)**	–
Deferred tax liabilities		
– Deferred income tax liability to be settled after more than 12 months	**5,538**	4,875
– Deferred income tax liability to be settled within 12 months	**141**	121
	5,679	4,996
Deferred tax liabilities, net	**4,618**	4,996

The gross movement on the deferred income tax account is as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Beginning of the year	**4,996**	3,229
(Credited)/charged to the consolidated statement of comprehensive income (Note 26)	**(378)**	1,767
End of the year	**4,618**	4,996

20 Deferred tax – Group *(continued)*

The movement of the deferred tax assets is as follows:

	Write down of inventories to net realisable value	Disposal of property, plant and equipment	Impairment of trade receivables	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2011	–	30	–	30
Charged to the consolidated statement of comprehensive income	–	(30)	–	(30)
At 31 December 2011 and 1 January 2012	–	–	–	–
Credited to the consolidated statement of comprehensive income	568	23	470	1,061
At 31 December 2012	568	23	470	1,061

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of USD$1,552,500 (2011: USD $821,750) in respect of losses amounting to USD $6,210,000 (2011: USD $3,287,000) that can be carried forward against future taxable income. Losses amounting to USD$1,004,000, USD$2,283,000 and USD$2,923,000 will expire in 2016, 2017 and 2018 respectively.

20 Deferred tax – Group *(continued)*

The movement of the deferred tax liabilities is as follows:

	Taxable temporary differences related to depreciation of property, plant and equipment	Withholding tax provided	Total
	US$'000	US$'000	US$'000
At 1 January 2011	802	2,457	3,259
(Credited)/charged to the consolidated statement of comprehensive income	(30)	1,767	1,737
At 31 December 2011 and 1 January 2012	772	4,224	4,996
(Credited)/charged to the consolidated statement of comprehensive income	(62)	745	683
At 31 December 2012	710	4,969	5,679

As at 31 December 2012, deferred tax liabilities of US$7,346,000 (31 December 2011: US$5,367,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain PRC subsidiaries. Such amounts are expected to be permanently reinvested in the PRC. Unremitted earnings totalled US$73,460,000 at 31 December 2012 (31 December 2011: US$53,670,000).

21 Due to related companies and the ultimate holding company – Group

	As at 31 December	
	2012	2011
	US$'000	US$'000
Trade payables to:		
(i) Related companies:		
Uniflex Technology Inc. (associate of the ultimate holding company: TSMT Taiwan)	**4,325**	–
Hitop Communications Corporation	**–**	136
High-Toned Opto Technology (Suzhou) Limited	**–**	112
High-Toned Opto Technology Corporation	**2**	–
Uniflex Technology (Jiangsu) Limited (associate of the ultimate holding company: TSMT Taiwan)	**1**	–
	4,328	248
(ii) The ultimate holding company:		
TSMT Taiwan	**7,530**	3,976

As at 31 December 2012 and 2011, trade payables to related companies and the ultimate holding company aged less than 180 days. They are unsecured, interest-free and repayable on demand.

22 Other gains – net

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Loss on disposal of property, plant and equipment	**(814)**	(1,724)
Foreign exchange gain, net	**1,026**	2,725
Others	**738**	1,874
	950	2,875

23 Expenses by nature

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Employee benefit expenses (Note 24)	**75,288**	59,635
Material and consumables costs	**1,359,443**	1,265,202
Changes in inventories of finished goods and work in progress	**449**	7,411
Depreciation of property, plant and equipment (Note 6)	**22,407**	18,360
Reversal of provision for write-down of inventories	**(1,127)**	(713)
Amortisation of land use rights (Note 7)	**137**	124
Provision for impairment of receivables (Note 10)	**1,880**	–
Utilities	**8,122**	6,811
Research and development expenses	**2,873**	2,254
Real estate tax, stamp duty and other taxes	**3,034**	4,291
Operating lease rental	**1,610**	1,957
Bank charges	**425**	646
Auditor's remuneration	**144**	133
Other expenses	**14,844**	14,733
Total cost of sales, selling and distribution costs and administrative expenses	**1,489,529**	1,380,844

24 Employee benefit expenses – Group

The aggregate amounts of staff costs including directors' emoluments are as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Fair value of employee share options granted	**19**	–
Wages, salaries and bonus	**69,213**	54,809
Social security and benefits	**5,426**	4,430
Staff welfare	**630**	396
	75,288	59,635

(a) Directors' emoluments

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
– Fees	**186**	185
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**414**	374
– Bonuses	**104**	187
– Share options granted	**4**	–
	708	746

24 Employee benefit expenses – Group *(continued)*

(a) Directors' emoluments *(continued)*

The emoluments received/receivable by individual directors are as follows:

(i) For the year ended 31 December 2012:

	Fees US$'000	Basic salaries, housing allowances, other allowances, and benefits-in-kind US$'000	Bonuses US$'000	Fair value of share options granted US$'000	Total US$'000
Executive directors					
– Mr. Wu Kai-Hsiung (CEO) (note a)	40	80	16	1	137
– Ms. Han Min	23	41	6	1	71
– Ms. Tseng Yu-Ling, Kelly	23	47	9	1	80
Non-executive director					
– Mr. Wu Kai-Yun (note b)	47	246	73	1	367
Independent non-executive directors					
– Mr. Kwok Kwan-Hung	23	–	–	–	23
– Ms. Hsu Wey-Tyng	15	–	–	–	15
– Ms. Lin Yen-Yu	15	–	–	–	15
	186	414	104	4	708

Notes:

(a) Mr. Wu Kai-Hsiung resigned as the chief executive officer and was re-designated from an executive director to a non-executive director on 22 January 2013.

(b) Mr. Wu Kai-Yun was appointed as the chief executive officer and was re-designated from a non-executive director to an executive director on 22 January 2013.

24 Employee benefit expenses – Group *(continued)*

(a) Directors' emoluments *(continued)*

(ii) For the year ended 31 December 2011:

	Fees US$'000	Basic salaries, housing allowances, other allowances, and benefits-in-kind US$'000	Bonuses US$'000	Total US$'000
Executive directors				
– Mr. Wu Kai-Hsiung (CEO)	39	80	20	139
– Ms. Han Min	23	35	13	71
– Ms. Tseng Yu-Ling, Kelly	23	41	13	77
Non-executive director				
– Mr. Wu Kai-Yun	46	218	141	405
Independent non-executive directors				
– Mr. Kwok Kwan-Hung	23	–	–	23
– Mr. Wang Mie-Nan (note a)	3	–	–	3
– Ms. Hsu Wey-Tyng (note b)	13	–	–	13
– Ms. Lin Yen-Yu	15	–	–	15
	185	374	187	746

Notes:

(a) Mr. Wang Mie-Nan resigned as independent non-executive director on 28 February 2011.

(b) Hsu Wey-Tyng was appointed as independent non-executive director on 1 March 2011.

For the year ended 31 December 2012 and 2011, no directors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

24 Employee benefit expenses – Group *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2012 include three directors (for the year ended 31 December 2011: three directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (for the year ended 31 December 2011: two individuals) for the year ended 31 December 2012 is as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**132**	133
– Bonuses	**20**	21
– Fair value of employee share options granted	**1**	–
	153	154

The emoluments of the non-director, highest paid employees fell within the following bands:

	Number of individuals	
	2012	2011
– Nil to HK$1,000,000	**2**	2

(c) Senior management

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
– Fees	**86**	85
– Basic salaries, housing allowances, other allowances and benefits-in-kind	**168**	156
– Bonuses	**31**	46
– Share options granted	**3**	–
	288	287

24 Employee benefit expenses – Group *(continued)*

(c) Senior management *(continued)*

The emoluments of senior management fell within the following bands:

	Number of individuals	
	2012	2011
– Nil to HK$1,000,000	**2**	2
– HK$1,000,000 to HK$1,500,000	**1**	1

25 Finance income and costs

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Interest expense		
– bank borrowings	**(1,118)**	(399)
– others	**–**	(2)
Finance costs	**(1,118)**	(401)
Interest income on bank deposits	**2,705**	1,395
Net foreign exchange gains	**681**	2,388
Finance income	**3,386**	3,783
Net finance income	**2,268**	3,382

26 Income tax expense

The major components of income tax expense are as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Current income tax		
– Hong Kong profits tax	**513**	3,231
– PRC enterprise income tax	**16,926**	12,182
Deferred income tax (Note 20)	**(378)**	1,767
	17,061	17,180

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 was 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 wholly owned subsidiary with Hong Kong manufacturing business involved in the manufacturing activities in the PRC, is entitled to 50:50 apportionment of profits generated from the sale of goods 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 the year ended 31 December 2012 (for the year ended 31 December 2011: 8.25%).

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

26 Income tax expense *(continued)*

Other PRC subsidiaries are subject to the PRC Corporate Income Tax. The New Corporate Income Tax Law, which became effective on 1 January 2008, introduced the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Grandfather provisions are available to certain subsidiaries including Regent Ningbo and Regent Xiamen, which are entitled to full exemption from the Corporate Income Tax for the first and second profit-making 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.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using applicable tax rates applicable to profits of the consolidated companies as follows:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Profit before income tax	**80,045**	101,966
Tax calculated at applicable statutory tax rates in respective regions	**19,560**	22,246
Effect of different tax rates and tax exemption	**(4,186)**	(7,402)
Expenses not deductible for tax purposes	**211**	124
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**745**	1,767
Unrecognised tax losses	**731**	445
Income tax expense	**17,061**	17,180

The weighted average applicable tax rates were 21.3% (for the year ended 31 December 2011: 16.8%) for the year ended 31 December 2012.

27 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$32,928,000 (for the year ended 31 December 2011: US$ 36,036,000).

28 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average numbers of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has three categories of dilutive potential ordinary shares, one is the warrants mentioned below, one is the scrip dividend scheme mentioned in Note 29, and the other is the employees share option scheme mentioned in Note 15.

On 10 January 2011, the Company entered into a placing agreement with the placing agent to place warrants to no less than six placees, who are independent institutions or private investors determined solely by the placing agent. The issue price per warrant was HKD0.03 and the subscription price per new share was HKD5.40 (subject to adjustment). Upon the exercise of the subscription rights attaching to the warrants in full, a maximum of 10,000,000 new shares would be issued and allotted. The subscription period ends in one year from the date of issue of the warrants. In accordance with the terms of the instruments constituting the warrants, the exercise price of share issuable under such warrants was adjusted from HKD5.40 per share to HKD2.70 per share while the number of new shares to be issued and allotted was adjusted from 10,000,000 new shares to 20,000,000 new shares, as a result of subdivision of shares approved in the extraordinary general meeting held on 25 February 2011. As at 31 December 2012, the warrants have expired and there were no new shares issued or allotted.

For the warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period when the warrant is outstanding) based on the monetary value of the subscription rights attached to outstanding warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the warrants. The result of the comparison is anti-dilutive and therefore does not result in dilutive ordinary shares for the calculation of diluted earnings per share for the year ended 31 December 2012.

28 Earnings per share *(continued)*

For the scrip dividend scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period when the scrip dividend scheme is outstanding) based on the declared 2011 final dividend amount as mentioned in Note 29. The number of shares calculated as above is compared with the number of shares that would have been issued assuming all shareholders of the Company elect to receive the 2011 final dividend in the form of new shares in lieu of cash in respect of all of such dividend. The result of the comparison is anti-dilutive and therefore does not result in dilutive ordinary shares for the calculation of diluted earnings per share for the year ended 31 December 2012.

For the employees share option scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period when the options are outstanding) based on the monetary value of the subscription rights attached to outstanding options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the options. The result of the comparison is anti-dilutive and therefore does not result in dilutive ordinary shares for the calculation of diluted earnings per share for the year ended 31 December 2012.

	For the year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company (US$'000)	**62,984**	84,786
Weighted average number of ordinary shares in issue ('000)	**2,118,184**	2,039,997
Basic and diluted earnings per share (US$ per share)	**0.0297**	0.0416

29 Dividends

	2012 US$'000	2011 US$'000
Interim dividend declared of HK$0.05 (2011:HK$0.07) per ordinary share based on 2,149,765,464 (2011: 2,030,000,000) ordinary shares in issue	**13,857**	18,239
Proposed final dividend of HK$0.05 (2011:HK$ 0.07) per ordinary share based on 2,149,765,464 (2011: 2,084,461,470) ordinary shares in issue	**13,861**	18,808

On 12 March 2012, the directors of the Company proposed and declared a final dividend in respect of the year ended 31 December 2011 of HKD0.07 per ordinary share, totalling HKD145,912,303 (equivalent to approximately US$18,808,000).

On 31 May 2012, the Company issued a circular regarding scrip dividend scheme in relation to the final dividend for the year ended 31 December 2011. The final dividend would be payable in cash but shareholders were given the option of electing to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend.

On 15 June 2012, the result of election was summarised after receipt of forms of election. 1,533,711,115 out of 2,084,461,470 ordinary shares elected for such scrip dividend and 65,303,994 new ordinary shares were issued pursuant to the scrip dividend scheme on 26 June 2012. HKD38,552,525 (equivalent to approximately US$4,968,000) was paid on 26 June 2012 to shareholders, holding 550,750,355 ordinary shares, that did not elect for such scrip dividend.

On 22 August 2012, the directors of the Company proposed and declared an interim dividend of HKD0.05 per ordinary share, totalling HKD107,488,273 (equivalent to approximately US$13,857,000) for the six months ended 30 June 2012 (for the six months ended 30 June 2011: approximately US$18,239,000). Such interim dividend was paid on 19 October 2012.

The proposed final dividend in respect of the year ended 31 December 2012 of HKD0.05 (for the year ended 31 December 2011:HKD0.07) per ordinary share, amounting to a total dividend of HKD107,488,273 (equivalent to approximately US$13,861,000) is based on 2,149,765,464 ordinary shares (2011: 2,084,461,470 ordinary shares) in issue, subject to the approval of the forthcoming annual general meeting of the Company. These financial statements do not reflect this dividend payable.

30 Cash generated from operations

(a) Reconciliation of profit before income tax to cash generated from operations

	For the year ended 31 December 2012 US$'000	For the year ended 31 December 2011 US$'000
Profit before income tax	**80,045**	101,966
Adjustments for:		
– Depreciation of property, plant and equipment (Note 23)	**22,407**	18,360
– Amortisation of land use rights (Note 23)	**137**	124
– Loss on disposals of property, plant and equipment (Note 22)	**814**	1,724
– Provision for impairment of receivables (Note 23)	**1,880**	–
– Reversal of provision for write-down of inventories to net realisable value (Note 23)	**(1,127)**	(713)
– Net foreign exchange gains	**(681)**	(2,388)
– Interest expense (Note 25)	**1,118**	401
– Interest income (Note 25)	**(2,705)**	(1,395)
– Decrease/(increase) in inventories	**13,819**	(24,313)
– Increase in trade receivables	**(68,913)**	(54,679)
– Decrease/(increase) in prepayments, deposits and other receivables	**628**	(10,325)
– Decrease/(increase) in amount due from related parties	**6,684**	(8,279)
– Increase in amount due from the ultimate holding company	**(2,605)**	(3,245)
– Increase in trade payables	**37,016**	78,931
– Increase in accruals and other payables	**773**	4,185
– Increase/(decrease) in amount due to the ultimate holding company	**3,554**	(565)
– Increase in amount due to related parties	**4,080**	172
– Employees share option scheme (Note 24)	**19**	–
– Translation reserve	**(267)**	277
Cash generated from operations	**96,676**	100,238

30 Cash generated from operations *(continued)*

(b) Reconciliation of proceeds from disposal of property, plant and equipment

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Net book amount (Note 6)	**1,213**	1,870
Loss on disposal of property, plant and equipment (Note 22)	**(814)**	(1,724)
Proceeds from disposal of property, plant and equipment	**399**	146

31 Commitments

(a) Capital commitments

	As at 31 December	
	2012	2011
	US$'000	US$'000
Contracted but not provided for:		
Construction of plants	**25,935**	1,916
Purchase of machineries	**360**	184
	26,295	2,100

31 Commitments *(continued)*

(b) Commitments under operating leases

As at 31 December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2012	2011
	US$'000	US$'000
Not later than one year	**274**	146
Later than one year but not later than five years	**29**	96
	303	242

32 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Information on related parties and their relationships with the Group are as follows:

Name of related party	Relationship
TSMT Taiwan	Ultimate holding company
High-Toned Opto Technology Corporation	Controlled by the same ultimate holding company
High-Toned Opto Technology (Suzhou) Limited	Controlled by the same ultimate holding company
Hitop Communications Corporation	Controlled by the same ultimate holding company
Gene Han (Shenzhen) Limited	Controlled by the same ultimate holding company
Tai Ming Green Power Co., Ltd.	Controlled by the same ultimate holding company
Uniflex Technology (Jiangsu) Limited	Associate of the ultimate holding company
Uniflex Technology Inc.	Associate of the ultimate holding company

32 Related party transactions *(continued)*

(b) Signifcant related party transactions

Other than the related party transactions disclosed elsewhere in the consolidated financial statements, significant related party transactions of the Group during the year ended 31 December 2012 also include:

		For the year ended 31 December	
		2012	2011
		US$'000	US$'000
(1)	Sales of goods to		
	– Hitop Communications Corporation	**39,099**	33,880
	– TSMT Taiwan	**36,779**	37,108
	– High-Toned Opto Technology Corporation	**251**	–
	– Gene Han (Shenzhen) Limited	**3**	1,339
		76,132	72,327
(2)	Sales of raw materials to		
	– Hitop Communications Corporation	**1,107**	305
	– Gene Han (Shenzhen) Limited	**1**	–
		1,108	305
(3)	Purchase of raw materials from		
	– TSMT Taiwan	**13,707**	15,289
	– Uniflex Technology Inc.	**9,504**	–
	– Hitop Communications Corporation	**220**	357
	– Tai Ming Green Power Co., Ltd.	**27**	–
	– High-Toned Opto Technology Corportation	**2**	–
	– Uniflex Technology (Jiangsu) Limited	**1**	–
		23,461	15,646
(4)	Purchase of goods from		
	– TSMT Taiwan	**569**	3,141
	– High-Toned Opto Technology (Suzhou) Limited	**248**	512
	– Tai Ming Green Power Co., Ltd.	**3**	–
		820	3,653

32 Related party transactions *(continued)*

(b) Signifcant related party transactions *(continued)*

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
(5) Purchase of machinery from		
– High-Toned Opto Technology (Suzhou) Limited	**66**	–
(6) Product development service fee charged by		
– TSMT Taiwan	**1,336**	640
(7) Sub-contracting fee received/receivable from		
– High-Toned Opto Technology (Suzhou) Limited	**260**	26
– Hitop Communications Corporation	**73**	–
– Uniflex Technology (Jiangsu) Limited	**27**	–
	360	26
(8) Rental fee received/receivable from		
– High-Toned Opto Technology (Suzhou) Limited	**98**	235

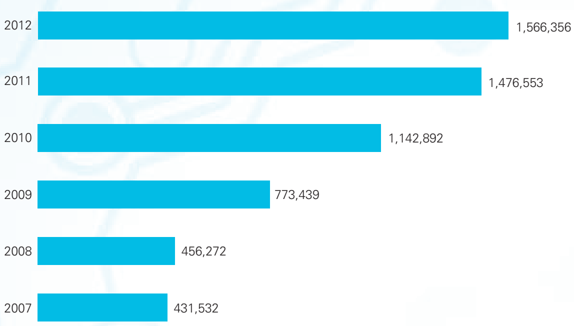
The directors of the Company consider that the selling prices and the purchase prices of raw materials and goods are determined according to the terms mutually agreed by the relevant parties.

Key management includes executive and non-executive directors. The compensation paid or payable to key management is shown in Note 24(a).

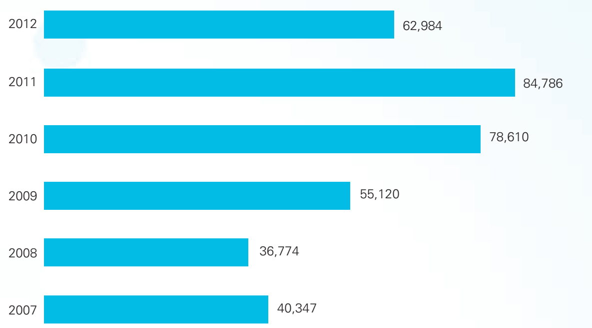
Mr. Wu Kai-Yun, a director of the Company, provided an undertaking to the Group to agree to compensate the Group for certain potential PRC individual income tax liabilities amounting to approximately US$1,721,000 in respect of certain of the Group's expatriates for the period up to 31 December 2008. Accrual of US$1,721,000 for these liabilities have been recorded in the Group's financial statements as at 31 December 2012.

Financial Summary

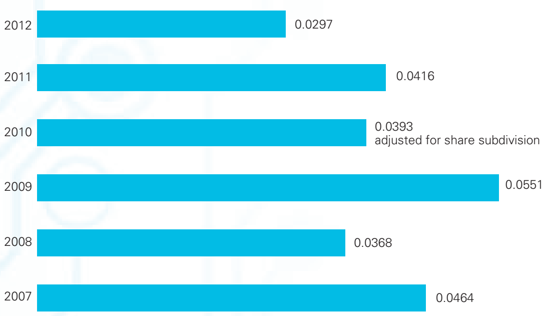
Revenue (US$'000)



Profit for the year (US$'000)



Earnings per share (basic and diluted) (US$)



Net Assets (US$'000)