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If you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Regent Manner International Holdings Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licenced securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**Taiwan Surface Mounting
Technology (B.V.I.) Co. Limited**
*(incorporated in the British Virgin Islands with
limited liability)*



Regent Manner International Holdings Limited
峻凌國際控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1997)

**(1) PROPOSED PRIVATIZATION OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE CAYMAN ISLANDS COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED**

Financial Adviser to the Offeror



凱基金融亞洲 中華開發金控
KGI CAPITAL ASIA

*Independent Financial Adviser to the
Independent Board Committee*



普頓資本有限公司
PROTON CAPITAL LIMITED

Unless the context requires otherwise, capitalized terms used in this Scheme Document are defined under the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders and the Optionholders in connection with the Proposal is set out in Part V of this Scheme Document. A letter from Proton Capital, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in connection with the Proposal, is set out in Part VI of this Scheme Document. An Explanatory Statement regarding the Scheme is set out in Part VII of this Scheme Document.

The actions to be taken by the Shareholders and the Optionholders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting to be held at 9:00 a.m. on Friday, 18 July 2014 and the EGM to be held either at 10:00 a.m. on Friday, 18 July 2014 or so soon thereafter as the Court Meeting shall have been concluded or adjourned are set out in Appendix IV and Appendix V to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated in Part II of this Scheme Document. If the **pink** form of proxy is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting.

This Scheme Document is issued jointly by Taiwan Surface Mounting Technology (B.V.I.) Co. Limited and Regent Manner International Holdings Limited.

The English language texts of this Scheme Document, the Option Offer Letter and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

19 June 2014

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In this Scheme Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement dated 8 May 2014 jointly issued by the Offeror and the Company in relation to the Proposal
“Announcement Date”	8 May 2014, being the date of the Announcement
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Authorizations”	all the necessary authorizations, registrations, filings, rulings, consents, permissions and approvals in connection with the Proposal
“Beneficial Owner”	any beneficial owner of the Shares
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$1.80 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Cayman Islands Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Cayman Islands Grand Court”	the Grand Court of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Regent Manner International Holdings Limited (峻凌國際控股有限公司), a company incorporated with limited liability under the laws of the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as described in the paragraph headed “2. Terms of the Proposal – Conditions of the Proposal” in Part VII of this Scheme Document
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules

“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Cayman Islands Grand Court at which the Scheme (with or without modification) will be voted upon, which is to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong, at 9:00 a.m. on Friday, 18 July 2014, notice of which is set out in Appendix IV to this Scheme Document, or any adjournment thereof
“Directors”	the directors of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Cayman Islands Grand Court, becomes effective in accordance with its terms and the Cayman Islands Companies Law, being the date on which a copy of the order of the Cayman Islands Grand Court sanctioning the Scheme and confirming the reduction of issued share capital resulting from the cancellation of the Scheme Shares is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Cayman Islands Companies Law, and which is expected to be Tuesday, 5 August 2014 (Cayman Islands time)
“EGM”	an extraordinary general meeting of the Company to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong at 10:00 a.m. on Friday, 18 July 2014 (or so soon thereafter as the Court Meeting shall have been concluded or adjourned) for the purpose of passing all necessary resolutions for the implementation of the Proposal, notice of which is set out in Appendix V to this Scheme Document, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being thereof
“Facility”	the bank facility which the Offeror has obtained from CTBC Bank Co., Ltd., Hong Kong Branch (in its capacity as a lender) with an amount of up to US\$150 million for the purpose of financing the Proposal
“Form of Acceptance”	the form of acceptance to the Optionholders in connection with the Option Offer

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising Mr. Kwok Kwan Hung, Ms. Hsu Wey-Tyng and Ms. Lin Yen-Yu, established by the Board to make recommendations to the Independent Shareholders and the Optionholders in respect of the Scheme and the Option Offer respectively
“Independent Financial Adviser” or “Proton Capital”	Proton Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined thereunder and the independent financial adviser appointed to advise the Independent Board Committee in connection with the Proposal
“Independent Shareholder(s)”	Shareholders(s) other than the Offeror and parties acting in concert with it (including Mr. Wu Kai-Yun, Mr. Wu Kai-Hsiung, Mr. Lin Wen-Ching, Ms. Wang Chia-Chen, Mr. Hwu, Shou-Chyang, Ms. Chang May-Yuan, Mr. Lin Wen-Chang and Mr. Shen Shian-Ho)
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“KGI Capital”	KGI Capital Asia Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and being the financial adviser to the Offeror in respect of the Proposal
“Last Trading Day”	29 April 2014, being the last trading day prior to the date of suspension of trading in the Shares on the Stock Exchange pending the issuance of the Announcement

“Latest Option Exercise Date”	Thursday, 24 July 2014, being the expected latest date upon which the Optionholders must lodge notices of exercise (accompanied by full payment) of the Options in order for the Optionholders to qualify for entitlements under the Scheme
“Latest Practicable Date”	Monday, 16 June 2014, being the latest practicable date for the purposes of ascertaining certain information for inclusion in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 August 2014 or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Cayman Islands Grand Court may direct
“Meeting Record Date”	4:30 p.m. on Friday, 18 July 2014, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the EGM
“Offeror” or “TSMT BVI”	Taiwan Surface Mounting Technology (B.V.I.) Co. Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of TSMT Taiwan and the controlling shareholder of the Company
“Offer Period”	the period commencing on the Announcement Date and as defined in the Takeovers Code
“Option(s)”	the outstanding, vested and unvested, share option(s) granted under the Share Option Scheme from time to time
“Option Offer”	the conditional offer to be made by or on behalf of the Offeror to the Optionholders to cancel their Option(s)
“Option Offer Letter”	a letter dated 19 June 2014 setting out the terms and conditions of the Option Offer and being sent together with this Scheme Document to all Optionholders, a sample of which is set out in Appendix VI to this Scheme Document

“Optionholder(s)”	holder(s) of the Options
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Share(s) with, a CCASS participant
“PRC”	the People’s Republic of China, and for the purpose of this Scheme Document, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposal”	the proposal for the privatization of the Company by the Offeror by way of the Scheme and the Option Offer
“Record Date”	4:00 p.m. on Tuesday, 5 August 2014, or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Registered Owner”	any owner of Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) entered in the register of members of the Company
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Relevant Period”	the period commencing on 8 November 2013 (being the date falling six (6) months prior to the Announcement Date) and ending on the Latest Practicable Date, both dates inclusive
“Resolutions”	(i) the resolution to approve the Scheme to be considered at the Court Meeting; and (ii) the resolutions to approve and give effect to, among other things, the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and to immediately restore the issued share capital of the Company to its former amount by the issue of the same number of Shares as the number of Scheme Shares cancelled and extinguished, credited as fully paid, for issuance to the Offeror to be considered at the EGM

“Scheme”	a scheme of arrangement under Section 86 of the Cayman Islands Companies Law set out in Appendix III to this Scheme Document (subject to any modifications or additions or conditions as may be approved or imposed by the Cayman Islands Grand Court and agreed by the Offeror) involving, among other matters, the cancellation of all the Scheme Shares and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	this composite document, including each of the letters, statements, appendices and notices in it
“Scheme Share(s)”	Share(s) in issue as at the Record Date other than those beneficially owned by the Offeror
“Scheme Shareholder(s)”	holder(s) of the Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 19 June 2007
“Shareholder(s)”	the holder(s) of the Share(s)
“SMT”	surface-mount technology
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Taiwan”	the Republic of China, Taiwan

“TSMT Taiwan”	Taiwan Surface Mounting Technology Corp. (台灣表面黏著科技股份有限公司), a company incorporated under the laws of Taiwan with limited liability, the issued shares of which are listed on the Taiwan Stock Exchange and the parent of the Offeror
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Cayman Islands Grand Court hearing of the petition to sanction the Scheme and to confirm the capital reduction and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of Scheme Shareholders to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed on Tuesday, 15 July 2014 and during such day, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 14 July 2014.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are an Independent Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the **pink** form of proxy for use at the Court Meeting should be lodged not later than 9:00 a.m. on Wednesday, 16 July 2014 or be handed to the Chairman of the Court Meeting at the Court Meeting, and the **white** form of proxy for use at the EGM should be lodged not later than 10:00 a.m. on Wednesday, 16 July 2014. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the Resolutions are passed by the requisite majorities of Independent Shareholders or Shareholders (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and the EGM in person or by proxy.

The Company will make an announcement in relation to the results of the Court Meeting and the EGM on Friday, 18 July 2014. The Company will make further announcements of the results of the hearing of the petition to, among other things, sanction the Scheme by the Cayman Islands Grand Court and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

ACTIONS TO BE TAKEN BY PERSONS HOLDING SHARES THROUGH TRUST OR CCASS

The Company will not recognize any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions should be given in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with an Other CCASS Participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. HKSCC Nominees Limited may vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Cayman Islands Grand Court and may be taken into account in deciding whether or not the Cayman Islands Grand Court should exercise its discretion to sanction the Scheme.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

ACTIONS TO BE TAKEN BY OPTIONHOLDERS

The Option Offer Letter and the Form of Acceptance in relation to the Option Offer are being sent to all Optionholders together with this Scheme Document pursuant to the terms and conditions of the Share Option Scheme, informing them that if they wish to participate in the Scheme, they may exercise their Options at any time up to the expiry of the period commencing on the date of the Option Offer Letter and ending on the Latest Option Exercise Date by giving notice of exercise to the company secretary of the Company at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong and together with payment for the aggregate amount of the exercise price of such Options. In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror, care of the Company at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong, for the attention of board of the Offeror and marked "Regent Manner – Option Offer" by no later than 4:00 p.m. on Tuesday, 19 August 2014 (or such later time and/or date as may be notified to you by way of announcement(s)). No acknowledgement of receipt of any Form of Acceptance or any other document will be given. The Offeror will offer HK\$1.80 minus the exercise price for each Option of HK\$1.41 per Share. The sum payable to the Optionholders for the Options calculated on the aforesaid basis is HK\$0.39 for each Option.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VI to this Scheme Document.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE COMPANY AND THE OFFEROR STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, WE URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

The following timetable takes into account the procedures of the Cayman Islands Grand Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Despatch of this Scheme Document Thursday, 19 June 2014

Despatch of the Option Offer Letter Thursday, 19 June 2014

Latest time for the Optionholders to lodge
notices of exercise (accompanied by full payment)
of their Options in order to become entitled to
vote at the Court Meeting and the EGM 4:30 p.m. on Wednesday,
25 June 2014

Latest time for lodging transfers of Shares
in order to become entitled to vote at the
Court Meeting and the EGM 4:30 p.m. on Monday,
14 July 2014

Register of members of the Company
closed for determining the entitlement
of relevant Shareholders to attend and
vote at the Court Meeting and the
entitlement of the Shareholders to
attend and vote at the EGM (*Note 1*) Tuesday, 15 July 2014 to
Friday, 18 July 2014
(both dates inclusive)

Latest time for lodging the **pink** form
of proxy in respect of the
Court Meeting (*Note 2*) 9:00 a.m. on Wednesday,
16 July 2014

Latest time for lodging the **white** form
of proxy in respect of the EGM (*Note 2*) 10:00 a.m. on Wednesday,
16 July 2014

Meeting Record Date on Friday,
18 July 2014

Suspension of trading in the Shares on
the Stock Exchange 9:00 a.m. on Friday,
18 July 2014

Court Meeting (*Note 3*) 9:00 a.m. on Friday,
18 July 2014

EGM (<i>Note 3</i>) (or so soon thereafter the Court Meeting shall have been concluded or adjourned)	10:00 a.m. on Friday, 18 July 2014
Announcement of the results of the Court Meeting and the EGM	not later than 7:00 p.m. on Friday, 18 July 2014
Resumption of trading in the Shares on the Stock Exchange	9:00 a.m. on Monday, 21 July 2014
Expected last day for trading in the Shares on the Stock Exchange	Thursday, 24 July 2014
Latest Option Exercise Date	Thursday, 24 July 2014
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Tuesday, 29 July 2014
Register of members of the Company closed for determining entitlements to qualify under the Scheme (<i>Note 4</i>)	from Wednesday, 30 July 2014 onwards
Court hearing of the petition to sanction the Scheme and to confirm the capital reduction	Friday, 1 August 2014 (Cayman Islands time)
Announcement of the result of the Court Hearing, the expected Effective Date and the expected date of withdrawal of listing of the Shares on the Stock Exchange	Monday, 4 August 2014
Record Date	4:00 p.m. Tuesday, 5 August 2014
Effective Date (<i>Note 5</i>)	Tuesday, 5 August 2014 (Cayman Islands time)
Announcement of the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange	Tuesday, 5 August 2014
Expected withdrawal of listing of the Shares on the Stock Exchange becomes effective (<i>Note 6</i>)	4:00 p.m. on Wednesday, 6 August 2014

Cheques for cash entitlements under the
Scheme to be despatched (*Note 7*) on or before Thursday,
14 August 2014

Latest time for lodging the Form of Acceptance
in relation to the Option Offer (*Note 8*) 4:00 p.m. on Tuesday,
19 August 2014

Lapse of unexercised outstanding Options. Tuesday, 19 August 2014

Announcement of the results of the Option Offer,
or as to whether the Option Offer has been
revised or extended, on the website of the SFC not later than 7:00 p.m. on
Tuesday, 19 August 2014

Cheques for cash entitlements under the
Option Offer to be despatched (*Note 9*) on or before Thursday,
28 August 2014

Shareholders and Optionholders should note that the above timetable is subject to change.
Further announcement(s) will be made in the event that there is any change.

Notes:

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Scheme.
2. Forms of proxy should be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the **pink** forms of proxy for use at the Court Meeting, they may be handed to the chairman of the Court Meeting. Completion and return of the relevant form of proxy for the Court Meeting or the EGM will not preclude a Scheme Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked.
3. The Court Meeting and the EGM will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out in Appendix IV to this Scheme Document and the notice of the EGM set out in Appendix V to this Scheme Document.
4. The register of members of the Company will be closed during such period for the purposes of determining the entitlements under the Scheme.
5. The Scheme will become effective upon all the Conditions having been fulfilled or waived (as applicable).
6. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at or before 4:00 p.m. on Wednesday, 6 August 2014, being the next day after the Effective Date.
7. Cheques for the cash entitlements to the Scheme Shareholders under the Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company on or before Thursday, 14 August 2014.

8. Form of Acceptance, duly completed and executed in accordance with the instructions on it, must be lodged with the Offeror (c/o the Company) at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong for the attention of the board of the Offeror and marked "Regent Manner-Option Offer" by no later than 4:00 p.m. on Tuesday, 19 August 2014 (or such later time and/or date as may be notified through announcement(s)).
9. Cheques for the cash entitlements to the Optionholders under the Option Offer will be despatched by ordinary post at the risk of the recipients to the last known addresses of the Optionholders as notified by the Optionholders to the Company within 7 business days following the later of the Effective Date and the date of receipt by the Offeror of the duly completed Form of Acceptance.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.



Regent Manner International Holdings Limited

峻凌國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1997)

Executive Directors:

Wu Kai-Yun
Han Min
Tseng Yu-Ling

Non-executive Director:

Wu Kai-Hsiung

Independent non-executive Directors:

Kwok Kwan Hung
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
Central
Hong Kong

19 June 2014

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATIZATION OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE CAYMAN ISLANDS COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED**

1. INTRODUCTION

On 8 May 2014, the Offeror and the Company jointly announced that on 29 April 2014, the Offeror had requested the Board to put forward to the Scheme Shareholders the proposed privatization of the Company by way of a scheme of arrangement under Section 86 of the Cayman Islands Companies Law involving cancellation of all the Scheme Shares and allotment and issue of new Shares in the same number of cancelled Scheme Shares to the Offeror. As part of the Proposal, the Offeror will make a comparable cash offer to the Optionholders to cancel their outstanding Options.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the expected timetable and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part V of this Scheme Document, the letter from Proton Capital, being the Independent Financial Adviser, set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix III to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Scheme

As at the Latest Practicable Date, there are 2,149,765,464 Shares in issue and the Scheme Shareholders are interested in 562,409,830 Shares, representing approximately 26.16% of the issued share capital of the Company.

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in consideration of the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$1.80 in cash for each Scheme Share.

Comparison of value

The Cancellation Price of HK\$1.80 per Scheme Share represents:

- a premium of approximately 32.35% over the closing price of HK\$1.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 31.20% over the average closing price of approximately HK\$1.372 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 33.63% over the average closing price of approximately HK\$1.347 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 37.51% over the average closing price of approximately HK\$1.309 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 39.00% over the average closing price of approximately HK\$1.295 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 7.14% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 20.24% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.497 as at 31 December 2013; and
- a premium of approximately 19.13% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.511 as at 31 March 2014.

The Cancellation Price has been determined on a commercial basis after taking into account (i) the closing prices of the Shares traded on the Stock Exchange since the second half of 2011; (ii) the trading multiples of comparable companies such as their price to earnings ratios and price to book ratios; and (iii) with reference to the premiums as represented by the cancellation price over the historical share price of other successful privatization transactions in Hong Kong in recent years.

Conditions of the Proposal and the Scheme

Your attention is drawn to the paragraph headed “2. Terms of the Proposal – Conditions of the Proposal” in Part VII of this Scheme Document for the conditions of the Proposal.

Capital reduction

Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the issued share capital of the Company will be increased to its former amount by the allotment and issuance at par to the Offeror, credited as fully paid, of the same number of Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares of HK\$0.005 each so issued, credited as fully paid, to the Offeror. The authorised share capital of the Company will remain unchanged on the Effective Date.

Upon the Scheme becoming effective, the Company will be wholly-owned by the Offeror, and the Board will, as soon as practicable thereafter, make an application for the withdrawal of listing of the Shares on the Stock Exchange.

Dividends

Shareholders whose names appear on the register of members of the Company as at the record date for determining the entitlement to dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). The Company does not expect to declare any dividend on or before the Effective Date.

3. THE OPTION OFFER

As at the Latest Practicable Date, there are 12,140,000 outstanding Options granted under the Share Option Scheme (including 8,498,000 Options which have not been vested as of the Latest Practicable Date), each giving the Optionholders the right to subscribe for one new

Share. The exercise of such Options in full would result in the issue of 12,140,000 new Shares, representing approximately 0.565% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.562% of the issued share capital of the Company as enlarged by the issue of such new Shares.

The Offeror will make (or procure to be made on its behalf) an appropriate offer, namely the Option Offer, to the Optionholders for the cancellation of every vested and unvested Option in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer the Optionholders cash equal to the “see-through” price (being the Cancellation Price minus the relevant exercise price of Options) for each Option that they hold. The Options held by the parties acting in concert with the Offeror will also form part of the Option Offer. The last day for acceptance of the Option Offer shall be 14 days after the Effective Date, and payment to accepting Optionholders under the Option Offer will be made within seven (7) business days following the later of the Effective Date and the date of receipt of a valid acceptance.

The relevant exercise price applicable to each Option is HK\$1.41 per Share.

Option exercise price (HK\$)	“See-through” price (HK\$)	Total outstanding options (vested and unvested)
1.41	0.39	12,140,000

In the event that any Option is exercised after the Latest Practicable Date and new Shares are issued pursuant to such exercise up to the Record Date, such Shares will constitute Scheme Shares and their holders shall be eligible to receive the Cancellation Price under the Scheme. Holders of any Shares so issued prior to the Meeting Record Date (other than the Offeror and persons acting in concert with it) will be entitled to vote at the Court Meeting.

As at the Latest Practicable Date, Mr. Wu Kai-Yun holds 600,000 Options pursuant to which an aggregate of 600,000 Shares may fall to be issued if all such Options are exercised in full and Mr. Wu Kai-Hsiung holds 350,000 Options pursuant to which an aggregate of 350,000 Shares may fall to be issued if all such Options are exercised in full. Save as disclosed above, none of the Offeror and persons acting in concert with it has any Option. As at the Latest Practicable Date, each of Mr. Wu Kai-Yun and Mr. Wu Kai-Hsiung has no intention to exercise his Options.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, (i) there are 2,149,765,464 Shares in issue and the Scheme Shareholders are interested in 562,409,830 Shares, representing approximately 26.16% of the issued share capital of the Company; and (ii) there are 12,140,000 outstanding Options. An aggregate of 12,140,000 new Shares may fall to be issued if all other outstanding Options are exercised by the Optionholders in full.

As at the Latest Practicable Date, (i) the Offeror holds 1,587,355,634 Shares, representing approximately 73.84% of the issued share capital of the Company; (ii) TSMT Taiwan is beneficially interested in such 1,587,355,634 Shares, representing approximately 73.84% of the issued share capital of the Company through the Offeror; and (iii) the parties acting in concert with the Offeror hold 21,901,257 Shares, representing approximately 1.02% of the issued share capital of the Company. Save as disclosed above and save for the 950,000 Options held by the parties acting in concert with the Offeror, the Offeror and parties acting in concert with it do not have any interest in, nor do they have any control or direction over, the issued share capital, voting rights or other securities of the Company as at the Latest Practicable Date. The Shares held by the Offeror will not form part of the Scheme Shares and the Offeror and parties acting in concert with it will not vote on the Scheme at the Court Meeting. The Shares held by the parties acting in concert with the Offeror will form part of the Scheme Shares and the same will be cancelled upon the Scheme becoming effective. All Independent Shareholders are entitled to vote at the Court Meeting and all Shareholders are entitled to vote at the EGM.

On the assumption that no Options are exercised before the Record Date and there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Offeror (<i>Note 1</i>)	1,587,355,634	73.84	2,149,765,464	100.00
Parties acting in concert with the Offeror				
Shares held subject to the Scheme:				
Mr. Wu Kai-Yun (<i>Note 2</i>)	6,872,628	0.32	–	–
Mr. Wu Kai-Hsiung (<i>Note 3</i>)	3,927,216	0.18	–	–
Mr. Lin Wen-Ching (<i>Note 4</i>)	1,414,388	0.07	–	–
Ms. Wang Chia-Chen (<i>Note 5</i>)	2,590,862	0.12	–	–
Mr. Hwu, Shouu-Chyang (<i>Note 6</i>)	1,650,000	0.08	–	–
Ms. Chang, May-Yuan (<i>Note 7</i>)	380,000	0.02	–	–
Mr. Lin Wen-Chang (<i>Note 8</i>)	1,189,000	0.06	–	–
Mr. Shen Shian-Ho (<i>Note 9</i>)	3,877,163	0.18	–	–
Aggregate number of Shares held by the parties acting in concert with the Offeror	21,901,257	1.02	–	–
Aggregate number of Shares held by the Offeror and parties acting in concert with it	1,609,256,891	74.86	2,149,765,464	100.00
Independent Shareholders	540,508,573	25.14	–	–
Total	2,149,765,464	100.00	2,149,765,464	100.00

Notes:

1. The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
2. Mr. Wu Kai-Yun, who is an executive Director of the Company, the chairman and president of TSMT Taiwan and the director of the Offeror, is acting in concert with the Offeror in relation to the Company. As at the Latest Practicable Date, Mr. Wu Kai-Yun is also interested in 600,000 Options, of which 180,000 are vested.
3. Mr. Wu Kai-Hsiung, who is the non-executive Director of the Company and the brother of Mr. Wu Kai-Yun, falls within the definition of class (2) of the persons acting in concert with the Offeror under the Takeovers Code. As at the Latest Practicable Date, Mr. Wu Kai-Hsiung is also interested in 350,000 Options, of which 105,000 are vested.
4. Mr. Lin Wen-Ching, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
5. Ms. Wang Chia-Chen, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
6. Mr. Hwu, Shouu-Chyang, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
7. Ms. Chang, May-Yuan, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
8. Mr. Lin Wen-Chang, who is a supervisor of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
9. Mr. Shen Shian-Ho, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.

On the assumption that all the Options are vested and exercised in full before the Record Date and there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company before completion of the Proposal and immediately upon completion of the Proposal:

Shareholders	Assuming that all the Options are vested and exercised in full before the Effective Date and there is no other change in shareholding of the Company before completion of the Proposal		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Offeror (<i>Note 1</i>)	1,587,355,634	73.42	2,161,905,464	100.00
Parties acting in concert with the Offeror				
Shares held subject to the Scheme:				
Mr. Wu Kai-Yun (<i>Note 2</i>)	7,472,628	0.35	–	–
Mr. Wu Kai-Hsiung (<i>Note 3</i>)	4,277,216	0.20	–	–
Mr. Lin Wen-Ching (<i>Note 4</i>)	1,414,388	0.07	–	–
Ms. Wang Chia-Chen (<i>Note 5</i>)	2,590,862	0.12	–	–
Mr. Hwu, Shouou-Chyang (<i>Note 6</i>)	1,650,000	0.08	–	–
Ms. Chang, May-Yuan (<i>Note 7</i>)	380,000	0.02	–	–
Mr. Lin Wen-Chang (<i>Note 8</i>)	1,189,000	0.05	–	–
Mr. Shen Shian-Ho (<i>Note 9</i>)	3,877,163	0.18	–	–
Aggregate number of Shares held by the parties acting in concert with the Offeror	22,851,257	1.06	–	–
Aggregate number of Shares held by the Offeror and parties acting in concert with it	1,610,206,891	74.48	2,161,905,464	100.00
Independent Shareholders	551,698,573	25.52	–	–
Total	2,161,905,464	100.00	2,161,905,464	100.00

Notes:

1. The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
2. Mr. Wu Kai-Yun, who is an executive Director of the Company, the chairman and president of TSMT Taiwan and the director of the Offeror, is acting in concert with the Offeror in relation to the Company.
3. Mr. Wu Kai-Hsiung, who is the non-executive Director of the Company and the brother of Mr. Wu Kai-Yun, falls within the definition of class (2) of persons acting in concert with the Offeror under the Takeovers Code.
4. Mr. Lin Wen-Ching, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
5. Ms. Wang Chia-Chen, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
6. Mr. Hwu, Shouu-Chyang, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
7. Ms. Chang, May-Yuan, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
8. Mr. Lin Wen-Chang, who is a supervisor of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
9. Mr. Shen Shian-Ho, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Company will be wholly-owned by the Offeror.

As at the Latest Practicable Date:

- (a) save for the 12,140,000 Options, the Company does not have any outstanding options, warrants, derivatives or other convertible securities;
- (b) save as disclosed in the above, none of the Offeror or any party acting in concert with it owns or controls or has directions over any Shares or any options, warrants, derivatives or other convertible securities in respect of Shares;
- (c) none of the Offeror or any party acting in concert with it has entered into any derivatives in respect of securities of the Company;
- (d) save for the arrangements contemplated under the Proposal, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Offeror which might be material to the Proposal;
- (e) there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;

- (f) none of the Offeror or any party acting in concert with it has received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the EGM during the Relevant Period; and
- (g) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any of the Offeror or any party acting in concert with the Offeror has borrowed or lent.

5. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

The making of (i) the Proposal to the Scheme Shareholders and (ii) the Option Offer to the Optionholders, who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and such Optionholders are located. Such persons should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and overseas Optionholders wishing to take any action in relation to the Scheme and the Option Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions. Any acceptance by such Scheme Shareholders and Optionholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company, TSMT Taiwan and their respective advisers, that those local laws and requirements have been complied with. If any Scheme Shareholder or Optionholder is in doubt as to its position, it should consult its professional advisers.

Scheme Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal or the Option Offer. It is emphasised that none of the Offeror, TSMT Taiwan, the Company and advisers or any of their respective directors, officers or associates or any other person involved in the Proposal or the Option Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal or the Option Offer.

6. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

The amount of cash required for the Proposal is approximately HK\$1,034,189,694 (assuming all Optionholders exercise their outstanding Options to become Scheme Shareholders before the Record Date) or approximately HK\$1,017,072,294 (assuming none of the Optionholders exercise their outstanding Options to become Scheme Shareholders before the Record Date). The amount of HK\$1,017,072,294 includes the amount required to satisfy the Option Offer.

The Offeror intends to finance the cash required for the Proposal from the Facility. KGI Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its payment obligations to the Scheme Shareholders and the Optionholders under the Proposal.

7. REASONS AND BENEFITS OF THE PROPOSAL

The Proposal will facilitate business integration between TSMT Taiwan, the Offeror and the Company and will provide TSMT Taiwan with greater flexibility to support the future business development of the Company. TSMT Taiwan, through the Offeror, currently holds approximately 73.84% of the total issued Shares and the Listing Rules require a minimum public float of 25%. TSMT Taiwan accordingly considers that the Proposal would be in the interests of TSMT Taiwan and its shareholders as it will simplify the group structure and create more flexibility to manage the Company's business in an efficient and sustainable manner.

The Directors (other than members of the Independent Board Committee whose views are set out in Part V of this Scheme Document) are of the view that the terms of the Proposal are attractive to the Scheme Shareholders and that the proposed privatization of the Company will be beneficial to the Scheme Shareholders as follows:

- During the past 12 months period prior to the Announcement Date, the Board noted that the average daily trading volume of the Company were approximately 1,050,754 Shares, representing approximately 0.049% of the existing issued share capital of the Company. Given the low liquidity of the Shares, the Directors (other than members of the Independent Board Committee) believe that the Company's ability to raise funds from the public equity markets is currently limited and any significant improvement in this regard in the foreseeable future is unlikely. Consequently, the Directors (other than members of the Independent Board Committee) consider that the costs and management resources associated with the maintenance of the Company's listing on the Stock Exchange and its publicly listed status, which are needed in order to access the public equity capital markets, are no longer warranted.
- Given the low liquidity and the weak performance of the Shares traded on the Stock Exchange, the sole director of the Offeror believes that there is currently limited opportunity for the Scheme Shareholders to divest their investment in the Company. The Directors (other than members of the Independent Board Committee) consider that the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares and receive cash at a price above the prevailing market price of the Shares. In addition, the Proposal allows the Scheme Shareholders a chance to redeploy capital from accepting the Proposal into other investment opportunities that they may consider more attractive in the current market environment.

8. INFORMATION ON THE OFFEROR, TSMT TAIWAN AND THE GROUP

The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of TSMT Taiwan. It is the immediate holding company of the Company. TSMT Taiwan is the ultimate controlling Shareholder, indirectly holding approximately 73.84% of the issued shares of the Company through the Offeror. TSMT Taiwan is a company listed on the Taiwan Stock Exchange. Both of TSMT Taiwan and the Group are principally engaged in the provision of integrated SMT production solutions. In terms of geographical market, TSMT Taiwan mainly focuses on the Taiwan market whereas the Group focuses on the PRC market.

9. THE OFFEROR'S INTENTION REGARDING THE GROUP

Following the implementation of the Proposal, the Offeror intends that the Group will continue to operate its business in its current state. The Offeror does not have any intention to (i) make any major changes to the existing business of the Group (including any redeployment of its fixed assets); or (ii) make any changes to the continued employment of the employees of the Group, as a result of the Proposal. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations, to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that the Company will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

The Board is pleased to note the intention of the Offeror and is of the view that the Offeror's plan in respect of the Group is in the best interest of the Group as a whole.

10. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company does not intend to retain its listing on the Stock Exchange if the Scheme becomes effective. The Board will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15 of the Listing Rules, immediately following the Scheme becoming effective. The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day of dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares will become effective.

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of Shares on the Stock Exchange will not be withdrawn. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, or acquire any voting rights of the Company if the Offeror or persons acting in concert with it would become obliged under Rule 26 of the Takeovers Code to make an offer, except with the consent of the Executive.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

11. COURT MEETING AND EGM

In accordance with the direction of the Cayman Islands Grand Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting. The Offeror and persons acting in concert with it will not vote on the Scheme at the Court Meeting.

The EGM will be held immediately after the Court Meeting for the purpose of considering and, if thought fit, passing resolutions to approve, among other things, the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the allotment and issue of new Shares to the Offeror. All Shareholders will be entitled to attend and vote on such resolutions at the EGM.

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V of this Scheme Document. The Court Meeting and the EGM will be held on Friday, 18 July 2014 at the respective times specified in such notices at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong.

It is proposed that the register of members of the Company will be closed on Tuesday, 15 July 2014 (or such other dates as may be notified to the Shareholders by way of announcement(s)) for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. Such book close period is not for determining entitlements under the Scheme. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant Shareholders should ensure that the relevant forms of transfer of their Shares accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by not later than 4:30 p.m. on Monday, 14 July 2014.

12. ACTIONS TO BE TAKEN BY SHAREHOLDERS AND OPTIONHOLDERS

Your attention is drawn to the paragraphs headed "20. Actions to be taken – Actions to be taken by Shareholders" and "20. Actions to be taken – Actions to be taken by Optionholders" respectively set out Part VII of this Scheme Document.

13. RECOMMENDATIONS

Proton Capital has been appointed by the Board (with approval of the Independent Board Committee) to advise the Independent Board Committee in connection with the Proposal. The text of the letter of advice from the Independent Financial Adviser containing its recommendation and the principal factors and reasons that it has taken into consideration in arriving at its recommendation is set out in Part VI of this Scheme Document. We would advise you to read this letter carefully before you take any action in respect of the Proposal.

The Independent Board Committee has considered the terms of the Proposal and taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendation as set out in the letter from the Independent Financial Adviser on pages in Part VI of this Scheme Document. The Independent Board Committee's recommendation is set out in Part V of this Scheme Document.

The executive Directors believe that the terms of the Scheme and the Option Offer are fair and reasonable and in the interests of the Shareholders and the Optionholders respectively.

14. TAXATION

Your attention is drawn to the paragraph headed "18. Taxation" as set out in Part VII of this Scheme Document.

It is emphasised that none of the Company, the Offeror, KGI Capital and their respective professional advisers or any of their respective directors or associates or any other person involved in the Proposal accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Proposal.

15. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the Explanatory Statement, the Scheme and the notices of the Court Meeting and the EGM contained in this Scheme Document and the other appendices to this Scheme Document. Optionholders are urged to read carefully the Option Offer Letter which is being sent together with this Scheme Document to all Optionholders.

Yours faithfully,
By order of the Board
Regent Manner International Holdings Limited
Tseng Yu-Ling
Executive Director



Regent Manner International Holdings Limited

峻凌國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)***(Stock Code: 1997)***Executive Directors:*

Wu Kai-Yun
Han Min
Tseng Yu-Ling

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Wu Kai-Hsiung

*Head office and principal**place of business in Hong Kong:**Independent non-executive Directors:*

Kwok Kwan Hung
Hsu Wey-Tyng
Lin Yen-Yu

20th Floor
No. 168 Queen's Road Central
Central
Hong Kong

19 June 2014

To the Independent Shareholders and the Optionholders

Dear Sirs and Madam,

**(1) PROPOSED PRIVATIZATION OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE CAYMAN ISLANDS COMPANIES LAW)
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED**

We refer to the scheme document (the “**Scheme Document**”) dated 19 June 2014 jointly issued by the Company and TSMT BVI in relation to the Proposal, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

As Mr. Wu Kai-Yun is an executive Director of the Company and the chairman and president of TSMT Taiwan and Mr. Wu Kai-Hsiung, being a non-executive Director of the Company, is the brother of Mr. Wu Kai-Yun, they are regarded as being interested in the Proposal. As such, both of them had abstained from voting in respect of the board resolutions of the Company in relation to the Proposal and the Option Offer and Mr. Wu Kai-Hsiung will not sit on the Independent Board Committee.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders and the Optionholders in respect of the Proposal.

Proton Capital has been appointed, with our approval, as the Independent Financial Adviser in respect of the Proposal.

We wish to draw your attention to (a) the letter from the Board as set out in Part IV of the Scheme Document; (b) the letter from the Independent Financial Adviser as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

Having considered the terms of the Proposal and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser, we consider the terms of the Proposal and the Option Offer are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned.

Accordingly, we recommend:

- (1) the Independent Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (2) the Shareholders to vote in favour of the special resolution to reduce the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the ordinary resolution to increase the issued share capital of the Company to its former amount by the allotment and issue of the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, credited as fully paid, to the Offeror at the EGM; and
- (3) the Optionholders to accept the Option Offer.

Yours faithfully,
Independent Board Committee
Kwok Kwan Hung
Hsu Wey-Tyng
Lin Yen-Yu

Set out below is the text of a letter received from Proton Capital, the Independent Financial Adviser to the Independent Board Committee prepared for the purpose of inclusion in this Scheme Document.



普頓資本有限公司
PROTON CAPITAL LIMITED

Suites 06-07, 28th Floor, Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

19 June 2014

*To: The Independent Board Committee of
Regent Manner International Holdings Limited*

Dear Sirs,

**PROPOSED PRIVATIZATION OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE CAYMAN ISLANDS COMPANIES LAW)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Proposal and the Option Offer, details of which are set out in the letter from the Board (the “**Board Letter**”) and the explanatory statement (the “**Explanatory Statement**”) contained in the Scheme Document dated 19 June 2014 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

On 29 April 2014, the Offeror requested the Board to put forward to the Scheme Shareholders the proposed privatization of the Company by way of a scheme of arrangement under Section 86 of the Cayman Islands Companies Law involving cancellation of all the Scheme Shares and allotment and issue of new Shares in the same number of cancelled Scheme Shares to the Offeror. As part of the Proposal, the Offeror will make a comparable cash offer to the Optionholders to cancel their outstanding Options.

Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the liability on the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the allotment and issuance at par to the Offeror, credited as fully paid, of the same number of Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares of HK\$0.005 each so issued, credited as fully paid, to the Offeror. Upon the Scheme becoming effective, the Company will be wholly-owned by the Offeror, and the Board will, as soon as practicable thereafter, make an application for the withdrawal of listing of the Shares on the Stock Exchange.

An Independent Board Committee, which comprises Mr. Kwok Kwan Hung, Ms. Hsu Wey-Tyng and Ms. Lin Yen-Yu, all of whom are independent non-executive Directors, has been established by the Board to make recommendations to the Independent Shareholders and the Optionholders in respect of the Scheme and the Option Offer respectively. As advised by the Company, since Mr. Wu Kai-Yun is an executive Director of the Company and the chairman and president of TSMT Taiwan and Mr. Wu Kai-Hsiung, being a non-executive Director of the Company, is the brother of Mr. Wu Kai-Yun, they are regarded as being interested in the Proposal. As such, Mr. Wu Kai-Hsiung does not sit on the Independent Board Committee.

We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Proposal and the Option Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Proton Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. Should there be any material changes to our opinion after the Latest Practicable Date and prior to the date of the Court Meeting and the EGM, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Scheme Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Offeror and the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Scheme Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any

statement contained in the Scheme Document misleading. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Scheme Document (other than that relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Scheme Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Scheme Document, the omission of which would make any statement in the Scheme Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent indepth investigation into the business and affairs of the Company, the Offeror, TSMT Taiwan or their respective subsidiaries or associates (where applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposal and the Option Offer. The Company has been separately advised by its own professional advisers with respect to the Proposal and the Option Offer and the preparation of the Scheme Document (other than this letter).

We have assumed that the Proposal and the Option Offer will be consummated in accordance with the terms and conditions set forth in the Scheme Document without any waiver, amendment, addition or delay of any terms or conditions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposal and the Option Offer, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Proposal and the Option Offer

On 29 April 2014, the Offeror requested the Board to put forward to the Scheme Shareholders the proposed privatization of the Company by way of a scheme of arrangement under Section 86 of the Cayman Islands Companies Law involving cancellation of all the Scheme Shares and allotment and issue of new Shares in the same number of cancelled Scheme Shares to the Offeror. As part of the Proposal, the Offeror will make a comparable cash offer to the Optionholders to cancel their outstanding Options.

Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the liability on the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the allotment and issuance at par to the Offeror, credited as fully paid, of the same number of Shares as the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares of HK\$0.005 each so issued, credited as fully paid, to the Offeror. Upon the Scheme becoming effective, the Company will be wholly-owned by the Offeror, and the Board will, as soon as practicable thereafter, make an application for the withdrawal of listing of the Shares on the Stock Exchange.

The Scheme

As at the Latest Practicable Date, (i) there are 2,149,765,464 Shares in issue and the Scheme Shareholders are interested in 562,409,830 Shares, representing approximately 26.16% of the issued share capital of the Company.

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in consideration of the payment by the Offeror to each Independent Shareholder of the Cancellation Price of HK\$1.80 in cash for each Scheme Share.

The Option Offer

As at the Latest Practicable Date, there are 12,140,000 outstanding Options granted under the Share Option Scheme (including 8,498,000 Options which have not been vested as at the Latest Practicable Date) each giving the Optionholders the right to subscribe for one new Share. An aggregate of 12,140,000 new Shares may fall to be issued if all other outstanding Options are exercised by the Optionholders in full representing approximately 0.565% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.562% of the issued share capital of the Company as enlarged by the issued of such new Shares.

The Option Offer to the Optionholders for the cancellation of their outstanding Options will be conditional on the Scheme becoming effective. Under the Option Offer, the Offeror will offer the Optionholders cash equal to the “see-through” price, being the amount calculated by deducting the relevant exercise price applicable to each Option of HK\$1.41 from the Cancellation Price of HK\$1.80. The sum payable to the Optionholders for each Option calculated on the aforesaid basis is HK\$0.39 for each Option.

(2) Information on the Group

The Company is an exempted company incorporated in the Cayman Islands with limited liability and its shares have been listed on the Stock Exchange since 10 July 2007. The Group is principally engaged in the provision of integrated SMT production solutions focusing on the PRC market.

Financial performance of the Group

Set out below is a summary of the consolidated financial performance of the Group for each of the three years ended 31 December 2013 and the three months ended 31 March 2013 and 31 March 2014 as extracted from the Company's annual report for the year ended 31 December 2013 (the "2013 Annual Report"), annual report for the year ended 31 December 2012 (the "2012 Annual Report") and results announcement for the three months ended 31 March 2014 (the "2014 Q1 Results"), respectively:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
	US\$'000 <i>Audited</i>	US\$'000 <i>Audited</i>	US\$'000 <i>Audited</i>	US\$'000 <i>Unaudited</i>	US\$'000 <i>Unaudited</i>
Revenue	1,476,553	1,566,356	1,266,319	352,067	221,542
Gross profit	123,197	112,753	112,663	29,905	19,860
Net profit for the year/period	84,786	62,984	56,470	16,393	5,100
Gross profit margin	8.3%	7.2%	8.9%	8.5%	9.0%
Net profit margin	5.7%	4.0%	4.5%	4.7%	2.3%

For the year ended 31 December 2012, the Group recorded a turnover of approximately US\$1,566.36 million representing a growth of approximately 6.1% from last year of approximately US\$1,476.55 million. According to the 2012 Annual Report, the increase in revenue during the year was primarily attributable to the increase of shipment of LED light bar. However, gross profit decreased by approximately 8.5% from approximately US\$123.20 million in 2011 to approximately US\$112.75 million with the overall gross profit margin of the Group for the year reduced to approximately 7.2% from approximately 8.3% of last year. Such changes were 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 the Group's customers resulted in a decrease of utilization rate of the Group's 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. Being affected by the decrease of gross profit for the year ended 31 December 2012, the net profit for this year reduced by approximately 25.7% to approximately US\$62.98 million from approximately US\$84.79 million in 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.

For the year ended 31 December 2013, the Group recorded a turnover of approximately US\$1,266.32 million representing a decline of approximately 19.2% from last year. The 2013 Annual Report disclosed that such a decrease was primarily due to (i) the reduction of sales of LED light bars applicable to high-end large-size tablet computers in the first half of the year; and (ii) the increased proportion of sales of subcontracting service (for which raw materials were provided by customers) ("**Subcontracting Service**") in the second half of the year. The

gross profit for the year was approximately US\$112.66 million, representing a decrease of approximately 0.1% as compared with that of last year. The overall gross profit margin of the Group for the year ended 31 December 2013 increased to approximately 8.9% from approximately 7.2% of last year due to (i) the increasing proportion of sales of control boards for thin-film transistor liquid crystal display (“**TFT-LCD**”) and touch-panels which have higher gross profit margins; (ii) increase of overall utilization rate of production facilities as a result of the consolidation of production capacity of factory; and (iii) the increased proportion of sales of Subcontracting Service in the second half of the year as compared with the corresponding period of last year.

According to the 2013 Annual Report, the Group had since the second half of 2013 adjusted its business model by significantly increased the portion of sales of Subcontracting Service for service income whereby customers were required to provide raw materials (compared with the old practice of the Group of acquiring raw materials for its products). Although this change had resulted in decrease in turnover of the Group, it had effectively enhanced the Group’s flexibility in raw material procurement and minimized inventory build-up, thus facilitating better cost control and became one of the factors leading to the improved gross profit margin in 2013.

According to the 2014 Q1 Results, for the three months ended 31 March 2014, the Group recorded an unaudited consolidated revenue of approximately US\$221.54 million (for the three months ended 31 March 2013: approximately US\$352.07 million), representing a decline of approximately 37.1% over the corresponding period of last year. The aforesaid decrease was primarily due to (i) the increased proportion of sales of Subcontracting Service during the period as compared with the corresponding period of last year; and (ii) the reduction of sales of control boards applicable to small-size tablet computers as compared with the corresponding period of last year. Due to the decrease of revenue mentioned above, the unaudited consolidated gross profit for the three months ended 31 March 2014 decreased by approximately 33.6% to approximately US\$19.86 million (for the three months ended 31 March 2013: approximately US\$29.91 million), representing a decline of approximately US\$10.05 million. Further, due to (i) the increasing proportion of sales of control boards for TFT-LCD and LED lighting modules which have higher gross profit margins; and (ii) increase of overall utilization rate of production facilities as a result of the consolidation of production capacity of factory, the overall gross profit margin of the Group for the three months ended 31 March 2014 increased to approximately 9.0% from approximately 8.5% for the corresponding period of last year. The Company recorded a decline of approximately 68.9% in its unaudited consolidated net profit after tax of approximately US\$5.10 million as compared with approximately US\$16.39 million for the corresponding period of the last year. Such a decline was due to the decline of gross profit as well as the inclusion of an exchange loss of approximately US\$5.00 million for the reduction of book value of the Group’s Renminbi savings deposit at the time of translating into US dollars for book recording purpose as at 31 March 2014 in view of the recent depreciation of Renminbi, which resulted in a net profit margin of approximately 2.3%.

As disclosed in the 2013 Annual Report and the 2014 Q1 Results, following the slow down of the Group's profitability in 2012, the Group has adopted measures which include adjustment in business model to Subcontracting Services and has successfully improved its gross profit margins in the year ended 31 December 2013 and the three months ended 31 March 2014. Nevertheless, the Group's financial performance is also subject to other factors such as changes in customers' demand on electronic products as well as the depreciation/appreciation of Renminbi against US dollars. The importance of the aforesaid other factors can be illustrated by the profit warning announcement of the Company dated 9 April 2014 and the 2014 Q1 Results whereby the Company disclosed that primarily due to (i) the increased proportion of sales of Subcontracting Service; and (ii) the reduction of sales of control boards applicable to small-size tablet computer, the Group recorded material declines in revenue and gross profit for the three months ended 31 March 2014. Based on the aforesaid, we consider that there is an uncertainty on the future financial performance of the Group.

Financial position of the Group

In considering the Proposal, apart from the prevailing market price of the Shares, the net asset value of the Group is one of the factors in analysing the reasonableness of the Cancellation Price, which is HK\$1.80 in cash for each Scheme Share. As at 31 December 2013, the Group's audited net asset value amounted to US\$415.13 million or HK\$1.497 per Share, based on 2,149,765,464 Shares in issue as at both 31 December 2013 and the Latest Practicable Date. The Cancellation Consideration is therefore at a material premium of approximately 20.24% to the aforesaid audited net asset value per Scheme Share.

Set out below is a summary of the audited consolidated financial position of the Group as at 31 December 2011, 2012 and 2013 as extracted from the 2012 Annual Report and the 2013 Annual Report respectively, as well as the unaudited consolidated financial position of the Group as at 31 March 2014 as extracted from the 2014 Q1 Results:

	As at 31 December			As at 31
	2011	2012	2013	March
	US\$'000	US\$'000	US\$'000	US\$'000
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
Non-current assets	194,533	212,930	227,833	223,023
Current assets	679,841	733,730	622,162	597,564
Non-current liabilities	(32,696)	(46,879)	(28,286)	(24,649)
Current liabilities	(501,130)	(514,984)	(406,578)	(376,913)
Net assets	340,548	384,797	415,131	419,025

As depicted by the above table, the net assets of the Group grew gradually and amounted to approximately US\$415.13 million and US\$419.03 million as at 31 December 2013 and 31 March 2014, respectively. As confirmed with the Company, the Company had not conducted

any fund raising exercise since 31 December 2011 up to the Latest Practicable Date and all the warrants placed in 2011 were unexercised and were lapsed in 2012. As such, we consider that the growth in the net assets of the Group tally with the profitability of the Group in recent years.

The Group's audited assets as at 31 December 2013 were primarily consisted of property, plant and equipment of approximately US\$217.43 million, inventories of approximately US\$50.30 million, trade receivables of approximately US\$323.06 million, prepayments, deposits and other receivables of approximately US\$27.07 million and cash and bank balances of approximately US\$208.27 million. On the other hand, the Group's liabilities as at 31 December 2013 were primarily consisted of long-term borrowings of approximately US\$22.16 million, trade payables of approximately US\$311.16 million, short-term borrowings of approximately US\$25.83 million and current income tax liabilities of approximately US\$34.46 million.

(3) Information on the Offeror

Set out below is the information on the Offeror according to the Letter from the Board :

The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of TSMT Taiwan. It is the immediate holding company of the Company. TSMT Taiwan is the ultimate controlling Shareholder, indirectly holding approximately 73.84% of the issued shares of the Company through the Offeror. TSMT Taiwan is a company listed on the Taiwan Stock Exchange. Both of TSMT Taiwan and the Group are principally engaged in the provision of integrated SMT production solutions. In terms of geographical market, TSMT Taiwan mainly focuses on the Taiwan market.

(4) Intention of the Offeror regarding the Group

According to the Letter from the Board, following the implementation of the Proposal, the Offeror intends that the Group will continue to operate its business in its current state. The Offeror does not have any intention to (i) make any changes to the existing business of the Group (including any material redeployment of its fixed assets); or (ii) make any changes to the continued employment of the employees of the Group, as a result of the Proposal. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations, to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that the Company will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

(5) Reasons for and benefits of the Proposal

As set out in the Letter from the Board, the Proposal will facilitate business integration between TSMT Taiwan, the Offeror and the Company and will provide TSMT Taiwan with greater flexibility to support the future business development of the Company. TSMT Taiwan, through the Offeror, currently holds approximately 73.84% of the total issued Shares and the

Listing Rules require a minimum public float of 25%. TSMT Taiwan accordingly considers that the Proposal would be in the interests of TSMT Taiwan and its shareholders as it will simplify the group structure and create more flexibility to manage the Company's business in an efficient and sustainable manner.

The Directors (other than members of the Independent Board Committee) are of the view that the terms of the Proposal are attractive to the Scheme Shareholders and that the proposed privatisation of the Company will be beneficial to the Scheme Shareholders as follows :

- During the past 12 months period prior to the Announcement date, the Board noted that the average daily trading volume of the Company were approximately 1,050,754 Shares, representing approximately 0.049% of the existing issued share capital of the Company. Given the low liquidity of the Shares, the Directors (other than members of the Independent Board Committee) believe that the Company's ability to raise funds from the public equity markets is currently limited and any significant improvement in this regard in the foreseeable future is unlikely. Consequently, the Directors (other than members of the Independent Board Committee) consider that the costs and management resources associated with the maintenance of the Company's listing on the Stock Exchange and its publicly listed status, which are needed in order to access the public equity capital markets, are no longer warranted.
- Given the low liquidity and the weak performance of the Shares traded on the Stock Exchange, the directors of the Offeror believe that there is currently limited opportunity for the Independent Shareholders to divest their investment in the Company. The Directors (other than members of the Independent Board Committee) consider that the Proposal provides an opportunity for the Independent Shareholders to dispose of their Shares and receive cash at a price above the prevailing market price of the Shares. In addition, the Proposal allows the Scheme Shareholders a chance to redeploy capital from accepting the Proposal into other investment opportunities that they may consider more attractive in the current market environment.

Based on the aforesaid expected benefits to the Company and the Independent Shareholders, we concur with the view of the Directors that the Proposal is beneficial to the Company as well as the Independent Shareholders as a whole as a whole.

(6) The Cancellation Price

The Cancellation Price of HK\$1.80 for each Scheme Share under the Proposal represents:

- (i) a premium of approximately 32.35% over the closing price of HK\$1.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 31.20% over the average closing price of approximately HK\$1.372 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;

- (iii) a premium of approximately 33.63% over the average closing price of approximately HK\$1.347 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 37.51% over the average closing price of approximately HK\$1.309 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 39.00% over the average closing price of approximately HK\$1.295 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 7.14% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a premium of approximately 20.24% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.497 as at 31 December 2013; and
- (viii) a premium of approximately 19.13% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.511 as at 31 March 2014.

Historical price performance of the Shares

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 29 April 2013, being 12-month period leading up to 29 April 2014, being the Last Trading Day (both days inclusive) (the “**Pre-Announcement Period**”) and from 9 May 2014 to the Latest Practicable Date (both days inclusive) (the “**Post-Announcement Period**”, collectively known as the “**Review Period**”). The following chart sets out the closing price of the Shares as quoted on the Stock Exchange during the Review Period:

Closing price of the Shares during the Review Period



Source: the Stock Exchange web-site (www.hkex.com.hk)

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the Review Period are shown as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days of the Shares in each month
2013				
29 April to 30 April	1.420	1.400	1.410	2
May	1.620	1.390	1.488	21
June	1.600	1.430	1.504	19
July	1.480	1.320	1.387	22
August	1.390	1.300	1.356	21

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days of the Shares in each month
September	1.470	1.390	1.434	20
October	1.420	1.280	1.316	21
November	1.430	1.290	1.328	21
December	1.410	1.310	1.353	20
2014				
January	1.340	1.240	1.296	21
February	1.320	1.250	1.286	19
March	1.310	1.240	1.277	21
April (<i>Note</i>)	1.390	1.260	1.327	19
May (<i>Note</i>)	1.690	1.640	1.669	16
June (up to and including the Latest Practicable Date)	1.680	1.640	1.656	10

Source: the Stock Exchange web-site (www.hkex.com.hk)

Note: Trading in the Shares was suspended from 30 April 2014 to 8 May 2014 pending the release of the Announcement

As illustrated by the above chart and table, during the Review Period, the Cancellation Price is higher than the historical average daily closing prices of the Shares per month for the entire Review Period. During the Pre-Announcement Period, closing prices of the Share fluctuated in which the highest and lowest closing prices of the Share were HK\$1.62 on 30 May 2013 and HK\$1.24 on 27 January 2014 and 14 March 2014, respectively, and the Offer Price represents premium of approximately 11.1% and approximately 45.2% over the aforesaid closing prices. We have enquired with the Directors and noted that save for the Company's voluntary announcements published before the 10th day of each month on the Group's turnover for the previous month and the profit warning announcement dated 9 April 2014 whereby the Company anticipated a material decline in net profit for the three months ended 31 March 2014, as compared with that for the same period last year, the Company had not issued any material announcement during the Pre-Announcement Period.

During the Post-Announcement Period, closing prices of the Shares materially increased by approximately 22.8% from HK\$1.36 on 29 April 2014 (i.e. the Last Trading Day) to HK\$1.67 on 9 May 2014 (i.e. the first trading day immediately after the Announcement) and maintained at a relatively high level but still below the Cancellation Price since then. As at the Latest Practicable Date, closing price of the Shares was 1.68. Upon our enquiry, the Directors confirmed that save for the overall favourable stock market sentiment together with the market reaction towards the Proposal, they are not aware of any reasons which may lead to the aforesaid surges of the Share prices. We also noted that besides the Announcement, the Company had not published other material announcements at the relevant time.

From the above observations, we consider that the increase in the Share prices during the Post-Announcement Period reflected the market's reaction to the Proposal and therefore, the recent market price of the Shares may not be sustained if the Proposal failed to proceed. The Independent Shareholders should note that the sustainability of the increased price level is uncertain. **Nonetheless, the Independent Shareholders must also closely monitor the prevailing market price of the Shares, which may be traded above the Cancellation Price, and exercise due care and caution when deciding whether or not to accept the Proposal.**

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to: (i) the total number of issued Shares held by the public as at the end of the relevant month; and (ii) the total number of issued Shares as at the end of the relevant month during the Review Period are tabulated as below:

Month	No. of trading days of the Shares in each month	Average daily trading volume (the "Average Volume") <i>Number of Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the end of the relevant month <i>%</i>	% of the Average Volume to total number of issued Shares as at the end of the relevant month <i>%</i>
2013				
29 to 30 April	2	1,800,593	0.33	0.08
May	21	3,001,735	0.55	0.14
June	19	1,864,803	0.34	0.09
July	22	1,002,918	0.18	0.05
August	21	543,566	0.10	0.03
September	20	568,045	0.10	0.03
October	21	1,000,476	0.18	0.05
November	21	1,125,952	0.20	0.05
December	20	413,026	0.08	0.02

Month	No. of trading days of the Shares in each month	Average daily trading volume (the "Average Volume") <i>Number of Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the end of the relevant month <i>%</i>	% of the Average Volume to total number of issued Shares as at the end of the relevant month <i>%</i>
2014				
January	21	637,931	0.12	0.03
February	19	297,778	0.05	0.01
March	21	742,323	0.13	0.03
April (<i>Note</i>)	19	1,287,421	0.23	0.06
May (<i>Note</i>)	16	2,519,344	0.46	0.12
June (up to and including the Latest Practicable Date)	10	924,200	0.17	0.04

Source: the Stock Exchange web-site (www.hkex.com.hk)

Note: Trading in the Shares was suspended from 30 April 2014 to 8 May 2014 pending the release of the Announcement

As noted from the above table, trading in the Shares had been extremely thin during the entire Pre-Announcement Period with the average daily trading volume being below 1% of the total number of issued Shares held by the public.

Given that the Shares are highly illiquid, there is currently limited opportunity for the Independent Shareholders to divest their investments in the Company not to mention that the disposal of large blocks of Shares held by them in the open market would likely trigger price slump of the Shares. **Independent Shareholders should note that the future liquidity of the Shares is uncertain.**

(7) The Option Offer

The Offeror will make (or procure to be made on its behalf) an appropriate offer, namely the Option Offer, to the Optionholders for the cancellation of every vested and unvested Option in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer the Optionholders cash equal to the “see-through” price (being the Cancellation Price minus the relevant exercise price of Options, being HK\$1.41) for each Option that they hold. Further terms and conditions of the Option Offer are included in the Board Letter and the Explanatory Statement.

Since the price of the Option Offer is determined according to the Cancellation Price and the Optionholders are entitled to receive the “see-through” price of HK\$0.39 per Option for the cancellation of their outstanding Options, we consider the Option Offer to be fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (i) as discussed in the subsection headed “Financial performance of the Group”, notwithstanding that the Group has successfully improved its gross profit margins, there is an uncertainty on the future financial performance of the Group as its financial performance is also subject to other factors such as changes in customers’ demand on electronic products as well as the depreciation/appreciation of Renminbi against US dollars and as disclosed by the Company in the paragraph headed “Material Changes” in Appendix I of the Scheme Documents, the aforesaid other factors have resulted in declines in turnover and profitability of the Group for the three months ended 31 March 2014;
- (ii) the Cancellation Price (a) had been above the historical closing prices of the Shares during the entire Review Period; (b) represents substantial premium to the prevailing market prices of the Shares immediately before the Announcement as illustrated in the section headed “The Cancellation Price” of this letter; (c) represents a material premium of approximately 20.24% over the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.497 as at 31 December 2013; and (d) represents a material premium of approximately 19.13% over the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.511 as at 31 March 2014. The recent surges of the price of the Shares during the Post-Announcement Period were mainly attributable to the market reaction towards the Proposal. The Independent Shareholders should note that the sustainability of the increased price level is uncertain;

- (iii) in view of the low liquidity of the Shares during the entire Review Period, there is currently limited opportunity for the Independent Shareholders to divest their investments in the Company and the disposal of large blocks of Shares held by the Independent Shareholders in the open market would likely to trigger price slump of the Shares as a result of the extremely thin trading volume of the Shares; and
- (iv) the possible benefits of the Proposal as set out in the sub-section headed “Reasons for and benefits of the Proposal” of this letter;

we consider that the Proposal provides an opportunity to the Independent Shareholders, in particular those who hold large blocks of the Shares, to realise their investments in the Company and that the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the Court Meeting and the EGM to approve the Scheme.

Since the price of the Option Offer is determined according to the Cancellation Price and the Optionholders are entitled to receive the “see-through price” for the cancellation of their outstanding Options pursuant to the Option Offer, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Optionholders to accept the Option Offer.

We consider that the recent surge of the price of the Shares was mainly attributable to the market reaction towards the Proposal. As such, the Independent Shareholders should note that the sustainability of the increased price level is uncertain. Should the Independent Shareholders be concerned that the Share price may fall back to lower levels if the Proposal does not become effective, Independent Shareholders may, instead of accepting the Proposal, consider selling their Shares in the open market.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,

For and on behalf of

Proton Capital Limited

Alvin H. Y. Leung

Managing Director

Josephine Lau

Director – Corporate Finance

This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

**SCHEME OF ARRANGEMENT
TO CANCEL ALL THE SCHEME SHARES**

1. INTRODUCTION

As disclosed in the Announcement, on 29 April 2014 the Offeror requested the Board to put forward a proposal to the Scheme Shareholders regarding (a) the proposed privatization of the Company by way of a scheme of arrangement under Section 86 of the Cayman Islands Companies Law involving the cancellation of all the Scheme Shares in consideration of the payment by the Offeror of HK\$1.80 in cash for each Scheme Share, and the allotment and issue of new Shares in the same number of cancelled Scheme Shares to the Offeror, as a result of which it is intended that the Company will be wholly-owned by the Offeror; and (b) the Option Offer to the Optionholders to cancel all their outstanding Options which is conditional on the Scheme becoming effective.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal and to give the Scheme Shareholders and the Optionholders other relevant information in relation to the Proposal, in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme.

Particular attention of the Scheme Shareholders and the Optionholders is drawn to (a) a letter from the Board set out in Part IV of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out in Part V of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out in Part VI of this Scheme Document; (d) the Scheme set out in Appendix III to this Scheme Document; and (e) the Option Offer Letter being sent to all Optionholders together with this Scheme Document, a sample of which is set out in Appendix VI of this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme and the Option Offer.

The Scheme

As at the Latest Practicable Date, (i) there are 2,149,765,464 Shares in issue and the Scheme Shareholders are interested in 562,409,830 Shares, representing approximately 26.16% of the issued share capital of the Company.

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in consideration of the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$1.80 in cash for each Scheme Share.

The Option Offer

As at the Latest Practicable Date, there are 12,140,000 outstanding Options granted under the Share Option Scheme (including 8,498,000 Options which have not been vested as at the Latest Practicable Date) each giving the Optionholders the right to subscribe for one new Share. An aggregate of 12,140,000 new Shares may fall to be issued if all other outstanding Options are exercised by the Optionholders in full representing approximately 0.565% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.562% of the issued share capital of the Company as enlarged by the issued of such new Shares.

The Option Offer to the Optionholders for the cancellation of their outstanding Options will be conditional on the Scheme becoming effective. Under the Option Offer, the Offeror will offer the Optionholders cash equal to the “see-through” price, being the amount calculated by deducting the relevant exercise price applicable to each Option of HK\$1.41 from the Cancellation Price of HK\$1.80. The sum payable to the Optionholders for each Option calculated on the aforesaid basis is HK\$0.39 for each Option.

In the event that any Option is exercised at any time up to the Latest Option Exercise Date and new Shares are issued pursuant to such exercise, such Shares will constitute Scheme Shares and their holders will be eligible to receive the Cancellation Price under the Scheme.

As at the Latest Practicable Date, the parties acting in concert with the Offeror held 950,000 outstanding Options pursuant to which an aggregate of 950,000 new Shares may fall to be issued if all such Options are exercised in full. Save as disclosed above, none of the Offeror and persons acting in concert with it held any Option as at the Latest Practicable Date.

The Option Offer Letter and the Form of Acceptance are being sent to all Optionholders together with this Scheme Document pursuant to the terms and conditions of the Share Option Scheme, informing them that if they wish to participate in the Scheme, they may exercise their Options at any time up to the expiry of the period commencing on the date of the letter to the Optionholders in respect of the Option Offer and ending on the Latest Option Exercise Date by giving notice of exercise to the company secretary of the Company at 20th Floor, No. 168 Queen’s Road Central, Central, Hong Kong, and together with payment for the aggregate amount of the exercise price of such Options.

In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror, care of the Company at 20th Floor, No. 168 Queen’s Road Central, Central, Hong Kong, for the attention of board of the Offeror and marked “Regent Manner – Option Offer” by no later than 4:00 p.m. on Tuesday, 19 August 2014 (or such later time and/or date as may be notified to you by way of announcement(s)). No acknowledgement of receipt of any form of acceptance or any other document will be given. A sample of the Option Offer Letter is set out in Appendix VI of this Scheme Document.

Any Options granted under the Share Option Scheme that are not exercised or cancelled pursuant to the acceptance of the Option Offer will automatically lapse after a period of 14 days after the Effective Date.

Dividends

Shareholders whose names appear on the register of members of the Company as at the record date for determining the entitlement to dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any). The Company does not expect to declare any dividend on or before the Effective Date.

Conditions of the Proposal

The Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfillment or waiver (as applicable) of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Independent Shareholders representing not less than 75% in value of the Scheme Shares held by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme is approved (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by the Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) by the Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders;
- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;

- (c) the Cayman Islands Grand Court's sanction of the Scheme (with or without modifications) and, to the extent necessary, its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Cayman Islands Grand Court for registration;
- (d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Cayman Islands Companies Law in relation to the reduction of the issued share capital of the Company;
- (e) all Authorizations in connection with the Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong and any other relevant jurisdictions (including the approval from the Investment Commission of the Ministry of Economic Affairs of Taiwan);
- (f) all Authorizations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (g) all necessary consents which may be required under any existing contractual obligations of the Company being obtained;
- (h) if required, the obtaining by the Offeror of such other necessary consent, approval, authorization, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under the applicable laws and regulations;
- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;

- (j) save as publicly announced prior to the Announcement Date, since 31 December 2013 (being the date to which the latest published audited account of the Company were made up),
 - (i) there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group;
 - (ii) since the Announcement Date, there not having been instituted or remaining outstanding any litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any Relevant Authorities against or in respect of any such member of the Group (or the business carried on by any such member) having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member, in each case which is material and adverse in the context of the Group taken as a whole; and
 - (iii) each member of the Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the Group up to the date immediately preceding the Effective Date, in each case which is material or adverse in the context of the Group taken as a whole.

The Offeror reserves the right to waive Conditions (e), (f), (g), (h), (i) and (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c) and (d) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived (as applicable) on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

When the Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on the Company and all the Scheme Shareholders. Assuming that the Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or around Tuesday, 5 August 2014 (Cayman Islands time).

3. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Cayman Islands Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Cayman Islands Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Cayman Islands Grand Court directs.

It is expressly provided in Section 86 of the Cayman Islands Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Cayman Islands Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Cayman Islands Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

4. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarized above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

- (a) the Scheme is approved by Independent Shareholders holding at least 75% of the votes attaching to the Scheme Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast by Independent Shareholders present and voting either in person or by way of proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by all the Independent Shareholders.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 540,508,573 Shares and 10% of the votes attached to all Scheme Shares held by the Independent Shareholders referred to in paragraph (b) above was approximately 54,050,858 Shares.

5. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and the EGM.

6. IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

As at the Latest Practicable Date, none of the Offeror and persons acting in concert with it has received any irrevocable commitment from any Shareholders in respect of voting at the Court Meeting and/or the EGM.

7. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, (i) there are 2,149,765,464 Shares in issue and the Scheme Shareholders are interested in 562,409,830 Shares, representing approximately 26.16% of the issued share capital of the Company and (ii) there are 12,140,000 outstanding Options. An aggregate of 12,140,000 new Shares may fall to be issued if all other outstanding Options are exercised by the Optionholders in full.

As at the Latest Practicable Date, (a) the Offeror holds 1,587,355,634 Shares representing approximately 73.84% of the issued share capital of the Company; (b) TSMT Taiwan is beneficially interested in such 1,587,355,634 Shares, representing approximately 73.84% of the issued share capital of the Company through the Offeror; and (c) the parties acting in concert with the Offeror hold 21,901,257 Shares, representing approximately 1.02% of the issued share capital of the Company. Save as disclosed above and the 950,000 Options held by the persons acting in connect with the Offeror, the Offeror and persons acting in concert with it do not have any interest in, nor do they have any control or direction over, the issued share capital, voting rights or other securities of the Company as at the Latest Practicable Date. The Shares held by the Offeror will not form part of the Scheme Shares and the Offeror and persons acting in concert with it will not vote on the Scheme at the Court Meeting. The Shares held by the parties acting in concert with the Offeror will form part of the Scheme Shares and the same will be cancelled upon the Scheme becoming effective. All Independent Shareholders are entitled to vote at the Court Meeting and all Shareholders are entitled to vote at the EGM. The Options held by the parties acting in concert with the Offeror will form part of the Option Offer.

Save for the Options, there are no outstanding options, warrants, derivatives or other convertible securities issued by the Company that carry a right to subscribe for or which are convertible into Shares, and there are no outstanding derivatives in respect of the Shares that have been entered into by the Offeror or persons acting in concert with it as at the Latest Practicable Date.

On the assumption that no Options are exercised before the Latest Option Exercise Date and there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately following completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Offeror (<i>Note 1</i>)	1,587,355,634	73.84	2,149,765,464	100.00
Parties acting in concert with the Offeror				
Shares held subject to the Scheme:				
Mr. Wu Kai-Yun (<i>Note 2</i>)	6,872,628	0.32	–	–
Mr. Wu Kai-Hsiung (<i>Note 3</i>)	3,927,216	0.18	–	–
Mr. Lin Wen-Ching (<i>Note 4</i>)	1,414,388	0.07	–	–
Ms. Wang Chia-Chen (<i>Note 5</i>)	2,590,862	0.12	–	–
Mr. Hwu, Shouou-Chyang (<i>Note 6</i>)	1,650,000	0.08	–	–
Ms. Chang, May-Yuan (<i>Note 7</i>)	380,000	0.02	–	–
Mr. Lin Wen-Chang (<i>Note 8</i>)	1,189,000	0.06	–	–
Mr. Shen Shian-Ho (<i>Note 9</i>)	3,877,163	0.18	–	–

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Aggregate number of Shares held by the parties acting in concert with the Offeror	21,901,257	1.02	–	–
Aggregate number of Shares held by the Offeror and parties acting in concert with it	1,609,256,891	74.86	2,149,765,464	100.00
Independent Shareholders	540,508,573	25.14	–	–
Total	2,149,765,464	100.00	2,149,765,464	100.00

Notes:

1. The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
2. Mr. Wu Kai-Yun, who is an executive Director of the Company, the chairman and president of TSMT Taiwan and the director of the Offeror, is acting in concert with the Offeror in relation to the Company. As at the Latest Practicable Date, Mr. Wu Kai-Yun is also interested in 600,000 Options, of which 180,000 are vested.
3. Mr. Wu Kai-Hsiung, who is the non-executive Director of the Company and the brother of Mr. Wu Kai-Yun, falls within the definition of class (2) of the persons acting in concert with the Offeror under the Takeovers Code. As at the Latest Practicable Date, Mr. Wu Kai-Hsiung is also interested in 350,000 Options, of which 105,000 are vested.
4. Mr. Lin Wen-Ching, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
5. Ms. Wang Chia-Chen, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
6. Mr. Hwu, Shouu-Chyang, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
7. Ms. Chang, May-Yuan, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
8. Mr. Lin Wen-Chang, who is a supervisor of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
9. Mr. Shen Shian-Ho, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.

On the assumption that all the Options are vested and exercised in full before the Latest Option Exercise Date and there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company before completion of the Proposal and immediately upon completion of the Proposal:

Shareholders	Assuming that all the Options are vested and exercised in full before the Effective Date and there is no other change in shareholding of the Company before completion of the Proposal		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Offeror (<i>Note 1</i>)	1,587,355,634	73.42	2,161,905,464	100.00
Parties acting in concert with the Offeror				
Shares held subject to the Scheme:				
Mr. Wu Kai-Yun (<i>Note 2</i>)	7,472,628	0.35	–	–
Mr. Wu Kai-Hsiung (<i>Note 3</i>)	4,277,216	0.20	–	–
Mr. Lin Wen-Ching (<i>Note 4</i>)	1,414,388	0.07	–	–
Ms. Wang Chia-Chen (<i>Note 5</i>)	2,590,862	0.12	–	–
Mr. Hwu, Shoou-Chyang (<i>Note 6</i>)	1,650,000	0.08	–	–
Ms. Chang, May-Yuan (<i>Note 7</i>)	380,000	0.02	–	–
Mr. Lin Wen-Chang (<i>Note 8</i>)	1,189,000	0.05	–	–
Mr. Shen Shian-Ho (<i>Note 9</i>)	3,877,163	0.18	–	–
Aggregate number of Shares held by the parties acting in concert with the Offeror	22,851,257	1.06	–	–
Aggregate number of Shares held by the Offeror and parties acting in concert with it	1,610,206,891	74.48	2,161,905,464	100.00
Independent Shareholders	551,698,573	25.52	–	–
Total	2,161,905,464	100.00	2,161,905,464	100.00

Notes:

- The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
- Mr. Wu Kai-Yun, who is an executive Director of the Company, the chairman and president of TSMT Taiwan and the director of the Offeror, is acting in concert with the Offeror in relation to the Company.
- Mr. Wu Kai-Hsiung, who is the non-executive Director of the Company and the brother of Mr. Wu Kai-Yun, falls within the definition of class (2) of persons acting in concert with the Offeror under the Takeovers Code.
- Mr. Lin Wen-Ching, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.

5. Ms. Wang Chia-Chen, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
6. Mr. Hwu, Shoou-Chyang, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
7. Ms. Chang, May-Yuan, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
8. Mr. Lin Wen-Chang, who is a supervisor of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
9. Mr. Shen Shian-Ho, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Company will be wholly-owned by the Offeror.

8. TOTAL CONSIDERATION AND FINANCIAL RESOURCES

The amount of cash required for the Proposal is approximately HK\$1,034,189,694 (assuming all Optionholders exercise their outstanding Options to become Scheme Shareholders before the Latest Option Exercise Date) or approximately HK\$1,017,072,294 (assuming none of the Optionholders exercise their outstanding Options to become Scheme Shareholders before the Latest Option Exercise Date).

The Offeror intends to finance the cash required for the Proposal from the Facility. KGI Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its payment obligations to the Scheme Shareholders and the Optionholders under the Proposal. The amount of HK\$1,017,072,294 includes the amount required to satisfy the Offeror's payment obligations under the Option Offer.

9. COMPARISON OF VALUE OF THE CANCELLATION FEE

The Cancellation Price of HK\$1.80 per Scheme Share represents:

- a premium of approximately 32.35% over the closing price of HK\$1.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 31.20% over the average closing price of approximately HK\$1.372 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 33.63% over the average closing price of approximately HK\$1.347 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 37.51% over the average closing price of approximately HK\$1.309 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- a premium of approximately 39.00% over the average closing price of approximately HK\$1.295 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 7.14% over the closing price of HK\$1.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 20.24% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.497 as at 31 December 2013; and
- a premium of approximately 19.13% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.511 as at 31 March 2014.

The Cancellation Price has been determined on a commercial basis after taking into account (i) the closing prices of the Shares traded on the Stock Exchange since the second half of 2011; (ii) the trading multiples of comparable trading companies such as their price to earnings ratios and price to book ratios; and (iii) with reference to the premiums as represented by the cancellation price over the historical share price of other successful privatization transactions in Hong Kong in recent years.

10. REASONS AND BENEFIT OF THE PROPOSAL

The Proposal will facilitate business integration between TSMT Taiwan, the Offeror and the Company and will provide TSMT Taiwan with greater flexibility to support the future development of the Company. TSMT Taiwan, through the Offeror, currently holds approximately 73.84% of the total issued Shares and the Listing Rules require a minimum public float of 25%. TSMT Taiwan accordingly considers that the Proposal would be in the interests of TSMT Taiwan and its shareholders as it will simplify the group structure and create more flexibility to manage the Company's business in an efficient and sustainable manner.

The Directors (other than members of the Independent Board Committee whose views are set out in Part V of this Scheme Document) are of the view that the terms of the Proposal are attractive to the Scheme Shareholders and that the proposed privatization of the Company will be beneficial to the Scheme Shareholders as follows:

- During the past 12 months period prior to the Announcement Date, the Board noted that the average daily trading volume of the Company was approximately 1,050,754 Shares, representing approximately 0.049% of the existing issued share capital of the Company. Given the low liquidity of the Shares, the Directors (other than the members of the Independent Board Committee) believe that the Company's ability to raise funds from the public equity markets is currently limited and any significant improvement in this regard in the foreseeable future is unlikely. Consequently, the

Directors (other than the members of the Independent Board Committee) consider that the costs and management resources associated with the maintenance of the Company's listing on the Stock Exchange and its publicly listed status, which are needed in order to access the public equity markets, are no longer warranted.

- Given the low liquidity and the weak performance of the Shares traded on the Stock Exchange, the sole director of the Offeror believes that there is currently limited opportunity for the Scheme Shareholders to divest their investment in the Company. The Directors (other than the members of the Independent Board Committee) consider that the Proposal provides an opportunity for the Scheme Shareholders to dispose of their Shares and receive cash at a price above the prevailing market price of the Shares. In addition, the Proposal allows the Scheme Shareholders a chance to redeploy capital from accepting the Proposal into other investment opportunities that they may consider more attractive in the current market environment.

11. INFORMATION ON THE OFFEROR, TSMT TAIWAN AND THE GROUP

The Offeror is an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of TSMT Taiwan. It is the immediate holding company of the Company.

TSMT Taiwan is the ultimate controlling Shareholder, indirectly holding approximately 73.84% of the issued shares of the Company through the Offeror. TSMT Taiwan is a company listed on the Taiwan Stock Exchange.

12. INFORMATION ON THE COMPANY

Both TSMT Taiwan and the Group are principally engaged in the provision of integrated SMT production solutions. In terms of geographical market, TSMT Taiwan mainly focuses on the Taiwan market whereas the Group focuses on the PRC market.

13. THE OFFEROR'S INTENTION REGARDING THE GROUP

Following the implementation of the Proposal, the Offeror intends that the Group will continue to operate its business in its current state. The Offeror does not have any intention to (i) make any major changes to the existing business of the Group (including any redeployment of its fixed assets); or (ii) make any changes to the continued employment of the employees of the Group, as a result of the Proposal. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations, to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that the Company will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

14. SHARE CERTIFICATES, DEALINGS AND WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company does not intend to retain its listing on the Stock Exchange if the Scheme becomes effective. The Board will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15 of the Listing Rules, immediately following the Scheme becoming effective. The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day of dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares will become effective.

The Scheme will lapse if any of the Conditions is not fulfilled or waiver, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person acting in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Proposal lapses announce an offer or possible offer for the Company, or acquire any voting rights of the Company if the Offeror or persons acting in concert with it would become obliged under Rule 26 of the Takeovers Code to make an offer, except with the consent of the Executive.

15. COSTS OF THE SCHEME

In light of the recommendation of the Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of the Independent Financial Adviser as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable, and the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of this Scheme will be shared between the Offeror and the Company equally.

16. REGISTRATION AND PAYMENT

Assuming that the Record Date falls on 5 August 2014, it is proposed that the register of members of the Company will be closed from Wednesday, 30 July 2014 (or such other date as Shareholders may be notified by announcement) onwards in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that their Shares are lodged with the Hong Kong branch share registrar of the Company for registration in their names or in the names of their nominees before the closure of the register of members of the Company. The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited, which is located at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Upon the Scheme becoming effective, payment of the Cancellation Price for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at 4:00 p.m. on the Record Date. On the basis that the Scheme becomes effective on or about Tuesday, 5 August 2014, (a) cheques for payment of the Cancellation Price payable under the Scheme are expected to be despatched by the Offeror as soon as possible but in any event within seven (7) business days following the date on which the Scheme becomes effective, which is expected to be on or before Thursday, 14 August 2014; and (b) cheques for payment to the Optionholders under the Option Offer are expected to be despatched by the Offeror as soon as possible but in any event within seven (7) business days following the later of the Effective Date and the date of receipt of the duly completed form of acceptance. In particular, cheques will be sent to the persons entitled thereto at their respective registered addresses as appear in the register of members of the Company at 4:00 p.m. on the Record Date or the last known addresses of the Optionholders as notified by the Optionholders to the Company. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, KGI Capital and the Hong Kong branch share registrar of the Company or any of them will be responsible for any loss or delay in despatch.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Company.

The Offeror shall hold such monies until the expiry of six (6) years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror that they are respectively entitled thereto. On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Tuesday, 5 August 2014 (Cayman Islands time).

Settlement of the Cancellation Price to which the Scheme Shareholders are entitled under the Scheme or the consideration to which the Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Scheme or the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder or such Optionholder.

17. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

The making of (a) the Proposal to the Scheme Shareholders and (b) the Option Offer to the Optionholders, who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and such Optionholders are located. Such persons should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and overseas Optionholders wishing to take any action in relation to the Scheme and the Option Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other

consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions. Any acceptance by such Scheme Shareholders and Optionholders will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company, TSMT Taiwan and their respective advisers, that those local laws and requirements have been complied with. If any Scheme Shareholder or Optionholder is in doubt as to its position, it should consult its professional advisers.

18. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective. No stamp duty is payable in relation to the Option Offer. The Scheme Shareholders and the Optionholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting the Proposal or the Option Offer. It is emphasized that none of the Offeror, TSMT Taiwan, the Company and advisers or any of their respective directors, officers or associates or any other person involved in the Proposal or the Option Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal or the Option Offer.

19. COURT MEETING AND EGM

In accordance with the direction of the Cayman Islands Grand Court, the Court Meeting will be convened for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). All Scheme Shareholders will be entitled to attend and vote on the Scheme at the Court Meeting. The Offeror and persons acting in concert with it will not vote on the Scheme at the Court Meeting.

The EGM will be held immediately after the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve, among other things, the reduction of the issued share capital of the Company by cancelling and extinguishing the liability on the Scheme Shares and an ordinary resolution to approve, among other things, the allotment and issue of new Shares to the Offeror. All Shareholders will be entitled to attend and vote on such resolutions at the EGM.

The Chairman is the person appointed by the Court required to convene the Court Meeting. Ms. Tseng Yu-Ling has been designated the Chairman of the Meeting. However, if Ms. Tseng Yu-Ling is unavailable, the Court has designated Ms. Han Min, to act as Chairman of the Meeting.

Notices of the Court Meeting and the EGM are set out in Appendix IV and Appendix V of this Scheme Document. The Court Meeting and the EGM will be held on 18 July 2014 at the respective times specified in such notices at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong.

It is proposed that the register of members of the Company will be closed during the period from Tuesday, 15 July 2014 to Friday, 18 July 2014 (both days inclusive) (or such other dates as may be notified to the Shareholders by way of announcement(s)) for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. Such book close period is not for determining entitlements under the Scheme. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant Shareholders should ensure that the relevant forms of transfer of their Shares accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by not later than 4:30 p.m. (Hong Kong time) on Monday, 14 July 2014.

20. ACTIONS TO BE TAKEN

Actions to be taken by the Shareholders

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are an Independent Shareholder, we strongly urge you to complete and sign the enclosed pink form of proxy for use at the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed white form of proxy for use at the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged not later than 9:00 a.m. on Wednesday, 16 July 2014 or be handed to the Chairman of the Court Meeting at the Court Meeting, and the white form of proxy for use at the Extraordinary General Meeting should be lodged not later than 10:00 a.m. on Wednesday, 16 July 2014. If the pink form of proxy for use at the Court Meeting is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting. The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the aforementioned resolutions are passed by the requisite majorities of Independent Shareholders or Shareholders (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and the EGM in person or by proxy.

The Company will make an announcement in relation to the results of the Court Meeting and the EGM on Friday, 18 July 2014. If all the relevant resolutions are passed at those meetings, the Company will make further announcements of the results of the hearing of the petition to, among other things, sanction the Scheme by the Cayman Islands Grand Court and, if the Scheme is sanctioned, the Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange.

Actions to be taken by person holding shares through trust or CCASS

The Company will not recognize any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions in relation to the manner in which your Shares should be voted at the Court Meeting and/or the EGM. Such instructions should be given in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from any Beneficial Owner in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with an Other CCASS Participant, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy for use at the Court Meeting and the EGM, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. HKSCC Nominees Limited may vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS). The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Cayman Islands Grand Court and may be taken into account in deciding whether or not the Cayman Islands Grand Court should exercise its discretion to sanction the Scheme.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Scheme Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

Actions to be taken by the Optionholders

The Option Offer Letters and the Form of Acceptance in relation to the Option Offer are being sent to all Optionholders together with this Scheme Document pursuant to the terms and conditions of the Share Option Scheme, informing them that if they wish to participate in the Scheme, they may exercise their Options at any time up to the expiry of the period commencing on the date of the Option Offer Letter and ending on the Latest Option Exercise Date by giving notice of exercise to the company secretary of the Company at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong, and together with payment for the aggregate amount of the exercise price of such Options.

In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror, care of the Company at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong, for the attention of board of the Offeror and marked "Regent Manner – Option Offer" by no later than 4:00 p.m. on Tuesday, 19 August 2014 (or such later time and/or date as may be notified to you by way of announcement(s)). No acknowledgement of receipt of any form of acceptance or any other document will be given. The Offeror will offer HK\$1.80 minus the exercise price for each Option. The sum payable to the Optionholders for the Option calculated on the aforesaid basis is HK\$0.39 for each Option.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VI to this Scheme Document.

21. RECOMMENDATION

Your attention is drawn to the following:

- (a) the paragraph headed "13. Recommendations" in the letter from the Board in Part IV of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the letter from Independent Financial Adviser set out in Part VI of this Scheme Document.

23. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, TSMT Taiwan or any of their respective affiliates has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is the financial information of the Company for each of the three years ended 31 December 2011, 2012 and 2013, which are extracted or derived from the audited consolidated financial statements of the Company for the years then ended. The auditor's reports issued by PricewaterhouseCoopers, Certified Public Accountants in respect of the Company's audited consolidated financial statements for each of the three years ended 31 December 2011, 2012 and 2013 did not contain any qualifications.

	For the year ended 31 December		
	2013	2012	2011
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	1,266,319	1,566,356	1,476,553
Cost of sales	<u>(1,153,656)</u>	<u>(1,453,603)</u>	<u>(1,353,356)</u>
Gross profit	112,663	112,753	123,197
Selling and distribution costs	(5,171)	(3,012)	(2,326)
Administrative expenses	(36,976)	(32,914)	(25,162)
Other gains – net	<u>1,706</u>	<u>950</u>	<u>2,875</u>
Operating profit	<u>72,222</u>	<u>77,777</u>	<u>98,584</u>
Finance income	5,430	3,386	3,783
Finance costs	<u>(1,056)</u>	<u>(1,118)</u>	<u>(401)</u>
Finance income, net	<u>4,374</u>	<u>2,268</u>	<u>3,382</u>
Profit before income tax	76,596	80,045	101,966
Income tax expense	<u>(20,126)</u>	<u>(17,061)</u>	<u>(17,180)</u>
Profit for the year attributable to equity holders of the Company	<u>56,470</u>	<u>62,984</u>	<u>84,786</u>
Profit for the year attributable to minority interests	<u>–</u>	<u>–</u>	<u>–</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	<u>1,266</u>	<u>76</u>	<u>1,936</u>
Total comprehensive income for the year attributable to equity holders of the Company	<u>57,736</u>	<u>63,060</u>	<u>86,722</u>
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	US\$0.0263	US\$0.0297	US\$0.0416
– diluted	<u>US\$0.0263</u>	<u>US\$0.0297</u>	<u>US\$0.0416</u>
Dividends	24,938	27,718	37,047
Dividend per share (Hong Kong cents)	<u>9</u>	<u>10</u>	<u>14</u>

Note: For the three years ended 31 December 2013, there were no extraordinary items, exceptional items because of size, nature or incidence and minority interest.

2. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

The following financial information is extracted or derived from the audited consolidated financial statements of the Company prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ended 31 December 2013:

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

		As at 31 December	
	<i>Note</i>	2013	2012
		<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	6	217,431	205,622
Land use rights	7	7,025	5,690
Prepayments for land use rights	7(c)	557	557
Deferred tax assets	20	2,820	1,061
		227,833	212,930
Current assets			
Inventories	9	50,303	71,022
Trade receivables	10	323,055	461,750
Prepayments, deposits and other receivables	11	27,072	33,711
Due from related companies	12	2,002	1,634
Due from the ultimate holding company	12	11,456	15,001
Cash and bank balances	13	208,274	150,612
		622,162	733,730
Total assets		849,995	946,660
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	1,379	1,379
Share premium	14	84,070	84,070
Other reserves	16		
– Proposed final dividend		11,080	13,861
– Others		318,602	285,487
		415,131	384,797
Total equity		415,131	384,797

		As at 31 December	
		2013	2012
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	19	22,157	41,200
Deferred tax liabilities	20	6,129	5,679
		<u>28,286</u>	<u>46,879</u>
Current liabilities			
Trade payables	17	311,158	439,561
Accruals and other payables	18	24,373	22,693
Borrowings	19	25,829	20,439
Due to the ultimate holding company	21	3,803	7,530
Due to related companies	21	6,951	4,328
Current income tax liabilities		34,464	20,433
		<u>406,578</u>	<u>514,984</u>
Total liabilities		<u><u>434,864</u></u>	<u><u>561,863</u></u>
Total equity and liabilities		<u><u>849,995</u></u>	<u><u>946,660</u></u>
Net current assets		<u><u>215,584</u></u>	<u><u>218,746</u></u>
Total assets less current liabilities		<u><u>443,417</u></u>	<u><u>431,676</u></u>

Company Balance Sheet*As at 31 December 2013*

		As at 31 December	
	<i>Note</i>	2013	2012
		<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Non-current assets			
Investments in subsidiaries	8	124,225	123,978
Current assets			
Other receivables		387	645
Cash and bank balances	13	977	668
		1,364	1,313
Total assets		125,589	125,291
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	1,379	1,379
Share premium	14	84,070	84,070
Other reserves	16		
– Proposed final dividend		11,080	13,861
– Others		29,033	25,934
Total equity		125,562	125,244
LIABILITIES			
Current liabilities			
Accruals and other payables	18	27	47
Total equity and liabilities		125,589	125,291
Net current assets		1,337	1,266
Total assets less current liabilities		125,562	125,244

Consolidated Statement of Comprehensive Income*For the year ended 31 December 2013*

		For the year ended	
		31 December	
		2013	2012
		<i>US\$'000</i>	<i>US\$'000</i>
Revenue	5	1,266,319	1,566,356
Cost of sales	23	<u>(1,153,656)</u>	<u>(1,453,603)</u>
Gross profit		112,663	112,753
Selling and distribution costs	23	(5,171)	(3,012)
Administrative expenses	23	(36,976)	(32,914)
Other gains – net	22	<u>1,706</u>	<u>950</u>
Operating profit		<u>72,222</u>	<u>77,777</u>
Finance income	25	5,430	3,386
Finance costs	25	<u>(1,056)</u>	<u>(1,118)</u>
Finance income, net	25	<u>4,374</u>	<u>2,268</u>
Profit before income tax		76,596	80,045
Income tax expense	26	<u>(20,126)</u>	<u>(17,061)</u>
Profit for the year attributable to equity holders of the Company		<u>56,470</u>	<u>62,984</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		<u>1,266</u>	<u>76</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>57,736</u>	<u>63,060</u>
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	28	US\$0.0263	US\$0.0297
– diluted	28	<u>US\$0.0263</u>	<u>US\$0.0297</u>
Dividends	29	24,938	27,718

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Attributable to equity holders of the Company			Total US\$'000
		Share capital US\$'000	Share premium US\$'000	Other reserves US\$'000	
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					
<i>Items that may be reclassified subsequently to profit or loss</i>					
– 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 dividend	29	–	–	(18,808)	(18,808)
2012 interim dividend	29	–	–	(13,857)	(13,857)
Shares issued under scrip dividend scheme		42	13,793	–	13,835
		42	13,793	(32,646)	(18,811)
Balance at 31 December 2012		<u>1,379</u>	<u>84,070</u>	<u>299,348</u>	<u>384,797</u>
Balance at 1 January 2013		1,379	84,070	299,348	384,797
Comprehensive income					
Profit for the year		–	–	56,470	56,470
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
– Currency translation differences		–	–	1,266	1,266
		–	–	57,736	57,736
Transaction with owners					
Employees share option scheme					
– Value of directors and employee services	15	–	–	317	317
2012 final dividend	29	–	–	(13,861)	(13,861)
2013 interim dividend	29	–	–	(13,858)	(13,858)
		–	–	(27,402)	(27,402)
Balance at 31 December 2013		<u>1,379</u>	<u>84,070</u>	<u>329,682</u>	<u>415,131</u>

Consolidated Cash Flow Statement*For the year ended 31 December 2013*

		For the year ended	
		31 December	
		2013	2012
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cash flows from operating activities			
Cash generated from operations	<i>30(a)</i>	136,716	96,676
Interest paid		(1,056)	(1,118)
Income tax paid		(9,242)	(11,523)
		<u>126,418</u>	<u>84,035</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,023)	(42,842)
Proceeds from disposal of property, plant and equipment	<i>30(b)</i>	1,134	399
Payment for land use rights		–	(650)
Increase in time deposits with initial terms of more than three months		(9,092)	(14,727)
Interest received		3,062	2,705
		<u>(38,919)</u>	<u>(55,115)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings		261,631	260,789
Repayments of borrowings		(275,284)	(284,337)
Dividends paid		(27,644)	(18,837)
		<u>(41,297)</u>	<u>(42,385)</u>
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents			
		46,202	(13,465)
Cash and cash equivalents, beginning of the year			
	<i>13</i>	120,278	133,291
Exchange differences		2,368	452
		<u>168,848</u>	<u>120,278</u>
Cash and cash equivalents, end of the year			
	<i>13</i>	<u>168,848</u>	<u>120,278</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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, 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 17 March 2014.

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.

(a) New and amended standard and amendments adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2013.

HKAS 1 (Amendment) “Presentation of financial statements” is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10 “Consolidated financial statements”, with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

HKAS 27 (Revised 2011) “Separate financial statements” is effective for annual periods beginning on or after 1 January 2013. HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKFRS 12, “Disclosures of interests in other entities”, with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13 “Fair value measurements” is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

There is no significant impact to the Group for adoption of these new and amended standards.

- (b) *New standards, amendments and interpretations to existing standards effective for the financial year beginning 1 January 2013 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)	‘First time adoption’, on government loans	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 11 (Amendment)	Transition guidance	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
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

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.

		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

- (c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2013 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 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Consolidation for investment entities	1 January 2014
Amendment to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
Amendment to HKAS 39	Financial instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HKFRIC 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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.

2.3 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
- (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 part 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).

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 that are subject to amortisation 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.

2.8 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.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold and subcontracting services provided 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 are impaired. Trade and other receivables are 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.

2.12 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.

2.15 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.

2.16 Employee benefits

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF”), a defined contribution plan. Under the MPF, the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees’ 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.

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.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of subcontracting service 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.

2.20 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.

2.23 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 2013 and 2012, 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\$14,547,000 and US\$5,290,000 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 and other payables.

(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 2013, 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\$421,000 lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(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 2013 and 2012, 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 62% (31 December 2012: 60%) of the Group's total trade receivables as at 31 December 2013.

(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 2013, the Group held cash and bank balances of US\$208,274,000 (31 December 2012: US\$150,612,000) (Note 13) and trade receivables of US\$323,055,000 (31 December 2012: US\$461,750,000) (Note 10) that are expected to readily generate cash inflows for managing liquidity risk.

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 2013			
Borrowings and interests payable (i)	26,288	17,510	4,860
Trade payables	311,158	–	–
Other payables	12,596	–	–
Due to the ultimate holding company	3,803	–	–
Due to related parties	6,951	–	–
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	–	–

- (i) The interest on borrowings is calculated based on borrowings held as at 31 December 2013 and 2012 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 2013 is of 11.6% (at 31 December 2012: 16.0%).

3.3 Fair value estimation

There are no assets or liabilities that are measured at fair value as at 31 December 2013 and 2012. The carrying value of trade and other receivables less impairment, trade and other payables, due from/to related companies and ultimate holding company, and current borrowings are assumed to approximate their fair values. For non-current borrowings, the fair value is disclosed in Note 19.

The different levels for valuation method have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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.

(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	
	2013	2012
	US\$'000	US\$'000
Sales of goods	1,246,788	1,559,066
Subcontracting service income	19,531	7,290
Total revenue	<u>1,266,319</u>	<u>1,566,356</u>

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 2013.

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	
	2013 US\$'000	2012 US\$'000
Company A	302,722	300,079
Company B	185,720	293,236
Company C	160,572	221,739
	<u>649,014</u>	<u>815,054</u>

6 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings US\$'000	Leasehold improvements US\$'000	Plant and machinery US\$'000	Furniture and office equipment US\$'000	Vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
At 1 January 2012							
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	<u>49,128</u>	<u>3,036</u>	<u>115,467</u>	<u>10,507</u>	<u>1,180</u>	<u>7,209</u>	<u>186,527</u>
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	<u>49,625</u>	<u>3,103</u>	<u>114,832</u>	<u>8,670</u>	<u>1,182</u>	<u>28,210</u>	<u>205,622</u>
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	<u>49,625</u>	<u>3,103</u>	<u>114,832</u>	<u>8,670</u>	<u>1,182</u>	<u>28,210</u>	<u>205,622</u>
Year ended 31 December 2013							
Opening net book amount	49,625	3,103	114,832	8,670	1,182	28,210	205,622
Additions	–	–	–	3,780	145	31,897	35,822
Transfer from other receivables (Note 7(a))	–	–	–	–	–	492	492
Disposals	(23)	(14)	(1,148)	(494)	(12)	–	(1,691)
Transfers	20,442	–	4,425	–	–	(24,867)	–
Depreciation (Note 23)	(2,662)	(1,481)	(15,634)	(3,014)	(437)	–	(23,228)
Impairment charge (Note 23)	–	–	(917)	–	–	–	(917)
Exchange differences	378	20	571	40	5	317	1,331
Closing net book amount	<u>67,760</u>	<u>1,628</u>	<u>102,129</u>	<u>8,982</u>	<u>883</u>	<u>36,049</u>	<u>217,431</u>
At 31 December 2013							
Cost	77,043	5,995	169,837	16,150	2,465	36,049	307,539
Accumulated depreciation and impairment	(9,283)	(4,367)	(67,708)	(7,168)	(1,582)	–	(90,108)
Net book amount	<u>67,760</u>	<u>1,628</u>	<u>102,129</u>	<u>8,982</u>	<u>883</u>	<u>36,049</u>	<u>217,431</u>

During the year ended 31 December 2013, depreciation expenses have been charged in the consolidated statement of comprehensive income as follows:

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Cost of sales	20,071	19,620
Selling and distribution costs	124	145
Administrative expenses	3,033	2,642
	<u>23,228</u>	<u>22,407</u>

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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
In the PRC, held on lease of 50 years		
Cost	7,824	6,273
Accumulated amortisation	(799)	(583)
	<u>7,025</u>	<u>5,690</u>

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Opening	5,690	6,311
Additions	–	650
Transfer from/(to) other receivables (<i>Note a</i>)	1,513	(1,163)
Amortisation (<i>Note 23</i>)	(213)	(137)
Exchange differences	35	29
	<u>7,025</u>	<u>5,690</u>

Notes:

- (a) 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 reimburse the Group for part of the payment for the land use rights and construction cost as investment incentive. Those reimbursements were recorded as other receivables due from local governments. During the year ended 31 December 2013, the Group entered into an arrangement with one local government authority to adjust the amount of the reimbursement to be received. As a result, US\$1,513,000 and US\$492,000 that are not expected to be reimbursed are transferred from other receivables to land use rights and property, plant and equipment respectively.
- (b) As at 31 December 2013, 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\$692,000 as at 31 December 2013 (as at 31 December 2012: US\$708,000).

- (c) As at 31 December 2013, the Group has made prepayment of US\$557,000 to relevant PRC government authorities for acquiring certain parcels of land located in the PRC (as at 31 December 2012: US\$557,000). The Group has not got the land use right certificate and the prepayment is not subject to amortisation.

8 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December	
	2013	2012
	US\$'000	US\$'000
Unlisted investments, at cost	123,963	123,963
Capital contribution relating to share-based payment	262	15
	<u>124,225</u>	<u>123,978</u>

The capital contribution relating to share based payment refers to 9,320,000 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.

The following is a list of the principal subsidiaries at 31 December 2013:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital US\$'000	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Regent Manner (BVI) Limited ("Regent BVI")	British Virgin Islands	84,630	100	–	Investment holding
Regent Manner Limited ("Regent HK") (note i)	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

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital <i>US\$'000</i>	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Regent Electron (Xiamen) Co., Ltd. ("Regent Xiamen")	The PRC	20,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Regent Electron (Foshan) Co., Ltd. ("Regent Foshan")	The PRC	2,500	–	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	12,000	–	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

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid-up share/ registered capital US\$'000	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
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	22,000	–	100	Manufacture and sale of electronic products and provision of subcontracting services
Dongguan Zhifu Electron Co., Ltd. ("Dongguan Zhifu") (note ii)	The PRC	4,894	–	100	Manufacture and sale of electronic products and provision of subcontracting services

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company 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 (Langfang) Co., Ltd. ("Regent Langfang", a subsidiary of the Company) dated 30 November 2012, Regent Langfang was dissolved on 25 September 2013.

Notes:

- (i) Pursuant to the resolution of the board of directors of Regent HK dated 21 November 2013 and relevant governmental approvals obtained, a branch company of Regent HK was set up in Taiwan on 17 December 2013.
- (ii) Pursuant to the resolution of the board of directors of Ningbo Yongfu dated 10 July 2013 and relevant governmental approvals obtained, Dongguan Zhifu was set up as a subsidiary of Ningbo Yongfu on 24 July 2013.

9 INVENTORIES – GROUP

	As at 31 December	
	2013	2012
	US\$'000	US\$'000
Raw materials	34,148	48,958
Work in progress	206	477
Finished goods	15,949	21,587
	<u>50,303</u>	<u>71,022</u>

The cost of inventories recognised as expenses and included in cost of sales amounted to US\$1,152,270,000 (for the year ended 31 December 2012: US\$1,454,730,000) for the year ended 31 December 2013, which included inventory write-down of US\$1,386,000 (for the year ended 31 December 2012: reversal of write-down of US\$1,127,000).

10 TRADE RECEIVABLES – GROUP

	As at 31 December	
	2013	2012
	US\$'000	US\$'000
Trade receivables	323,645	463,695
Less: Provision for impairment	(590)	(1,945)
Trade receivables, net	<u>323,055</u>	<u>461,750</u>

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

	As at 31 December	
	2013	2012
	US\$'000	US\$'000
RMB	31,229	65,141
US\$	292,416	398,554
	<u>323,645</u>	<u>463,695</u>

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	
	2013	2012
	US\$'000	US\$'000
Within 90 days	269,987	379,753
Between 91 days to 180 days	52,002	80,168
Between 181 days to 365 days	931	3,126
Over 365 days	725	648
	<u>323,645</u>	<u>463,695</u>

As of 31 December 2013, trade receivables of US\$8,311,000 (31 December 2012: US\$11,729,000) 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	
	2013	2012
	US\$'000	US\$'000
Within 90 days	737	1,892
Between 91 days to 180 days	6,508	6,653
Between 181 days to 365 days	931	3,079
Over 365 days	135	105
	<u>8,311</u>	<u>11,729</u>

As of 31 December 2013, trade receivables of US\$590,000 (31 December 2012: US\$5,107,000) were impaired and provided for. The amount of the provision was US\$590,000 as of 31 December 2013 (2012: US\$1,945,000). 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	
	2013	2012
	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	590	543
	<u>590</u>	<u>5,107</u>

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

	For the year ended 31 December	
	2013	2012
	US\$'000	US\$'000
At 1 January	1,945	65
Provision for impairment	3,162	1,880
Utilisation due to written off of provided receivables	(4,517)	–
	<u>590</u>	<u>1,945</u>

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	
	2013	2012
	US\$'000	US\$'000
Receivable from banks in respect of non-recourse discounted trade receivables (<i>Note a</i>)	10,324	13,025
Prepaid Value Added Tax and Hong Kong profits tax	7,441	5,375
Prepayments	1,819	1,882
Rental and other deposits	1,853	3,636
Receivables of government grant (<i>Note b</i>)	3,362	4,729
Others	2,845	5,064
Less: Provision for impairment	(572)	–
	<u>27,072</u>	<u>33,711</u>

Notes:

- (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 reimburse the Group for part of the payment for the land use rights and construction cost as investment incentive. As of 31 December 2013, payment for the land use rights amounting to US\$3,362,000 (31 December 2012: US\$4,729,000) is expected to be reimbursed in the next 12 months and is recorded in other receivables accordingly.

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

	For the year ended 31 December	
	2013	2012
	US\$'000	US\$'000
At 1 January	–	–
Provision for impairment	572	–
At 31 December	<u>572</u>	<u>–</u>

The provision for impaired other receivables has been included in general and administrative expenses.

12 DUE FROM RELATED COMPANIES AND THE ULTIMATE HOLDING COMPANY – GROUP

	As at 31 December	
	2013	2012
	US\$'000	US\$'000
Trade receivables due from:		
(i) Related companies:		
Hitop Communications Corporation (controlled by the same ultimate holding company: TSMT Taiwan)	1,704	907
Gene Han (Shenzhen) Limited (controlled by the same ultimate holding company: TSMT Taiwan)	247	317
High-Toned Opto Technology (Suzhou) Limited (controlled by the same ultimate holding company: TSMT Taiwan)	45	159
Uniflex Technology Inc. (associate of the ultimate holding company: TSMT Taiwan)	6	–
High-Toned Opto Technology Corporation (controlled by the same ultimate holding company: TSMT Taiwan)	–	251
	<u>2,002</u>	<u>1,634</u>
(ii) The ultimate holding company:		
TSMT Taiwan	<u>11,456</u>	<u>15,001</u>

The ageing analysis of the amounts due from related companies and the ultimate holding company as at the balance sheet date, based on the invoice date, was as follows:

	As at 31 December	
	2013	2012
	US\$'000	US\$'000
Within 90 days	11,702	16,635
Between 91 days to 180 days	1,509	–
over 181 days	247	–
	<u>13,458</u>	<u>16,635</u>

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		
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Cash on hand	82	81	–	–
Cash at bank, unrestricted	168,766	120,197	977	668
Cash and cash equivalents	168,848	120,278	977	668
Time deposits with initial term of more than three months	39,426	30,334	–	–
	<u>208,274</u>	<u>150,612</u>	<u>977</u>	<u>668</u>

The effective weighted average annual interest rate on cash at bank was 1.71% for the year ended 31 December 2013 (for the year ended 31 December 2012: 1.80%).

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

	As at 31 December			
	Group		Company	
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
RMB	163,220	72,291	–	–
US\$	43,634	77,071	415	630
HK\$	591	676	562	38
Others	829	574	–	–
	<u>208,274</u>	<u>150,612</u>	<u>977</u>	<u>668</u>

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	Ordinary shares	Amount Share premium	Total
At 31 December 2012 and 2013	<u>10,000,000</u>	<u>2,149,765</u>	<u>1,379</u>	<u>84,070</u>	<u>85,449</u>

As at 31 December 2013, the par value of authorised and issued ordinary shares was HK\$0.005 per share. The authorised share capital of the Company was HK\$50,000,000 divided into 10,000,000,000 ordinary shares, among which, 2,149,765,464 ordinary shares were issued and fully paid.

15 SHARE-BASED PAYMENT

As approved by the Board meeting on 11 December 2012, 13,000,000 share options were granted to the executive directors, non-executive director, independent non-executive 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.

Movement in the number of share options outstanding and their related weighted average exercise prices for the year ended 31 December 2013 was as follows:

	For the year ended 31 December			
	2013		2012	
	Average exercise price in HK\$	Number of options	Average exercise price in HK\$	Number of options
At 1 January	1.41	13,000,000	–	–
Granted	–	–	1.41	13,000,000
Forfeited	1.41	(780,000)	–	–
At 31 December	<u>1.41</u>	<u>12,220,000</u>	<u>1.41</u>	<u>13,000,000</u>

Share options outstanding at 31 December 2013 have the following expiry dates and exercise prices:

Expiry date	Exercise price (HK\$ per share)	Number of options	
		2013	2012
10 December 2016	1.41	<u>12,220,000</u>	<u>13,000,000</u>

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 reserve	Share-based payment reserve	Merger reserve	Translation reserve	Retained earnings	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2013	21,851	861	39,363	2,087	235,148	38	299,348
Employees share option scheme							
– Value of directors and employee services	–	317	–	–	–	–	317
Profit for the year	–	–	–	–	56,470	–	56,470
Appropriation of reserves	3,200	–	–	–	(3,200)	–	–
Currency translation differences	–	–	–	1,266	–	–	1,266
2012 final dividend	–	–	–	–	(13,861)	–	(13,861)
2013 interim dividend	–	–	–	–	(13,858)	–	(13,858)
At 31 December 2013	<u>25,051</u>	<u>1,178</u>	<u>39,363</u>	<u>3,353</u>	<u>260,699</u>	<u>38</u>	<u>329,682</u>

	Group						
	Statutory reserve	Share-based payment reserve	Merger reserve	Translation reserve	Retained earnings	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	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

	Company				
	Share-based payment reserve	Merger reserve	Retained earnings	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2013	19	39,363	375	38	39,795
Employees share option scheme					
– Value of directors and employee services	317	–	–	–	317
Profit for the year	–	–	27,720	–	27,720
2012 final dividend	–	–	(13,861)	–	(13,861)
2013 interim dividend	–	–	(13,858)	–	(13,858)
At 31 December 2013	336	39,363	376	38	40,113
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

(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	
	2013	2012
	US\$'000	US\$'000
Within 90 days	226,100	291,447
Between 91 days to 180 days	84,289	145,306
Between 181 days to 365 days	379	2,114
More than 365 days	390	694
	<u>311,158</u>	<u>439,561</u>

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	Group	Company	Company
	2013	2012	2013	2012
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued wages, salaries and staff welfare	11,054	10,640	–	–
Payables for insurance, maintenance, package and utilities	3,318	4,039	–	–
Payables for purchases of consumables	1,450	1,918	–	–
Payables for purchases of property, plant and equipment and construction in process	4,520	2,721	–	–
Accrued expenses	723	441	–	–
Others	3,308	2,934	27	47
	<u>24,373</u>	<u>22,693</u>	<u>27</u>	<u>47</u>

19 BORROWINGS – GROUP

	As at 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Non-current		
Bank borrowings, unsecured	22,157	41,200
Current		
Bank borrowings, unsecured	6,000	16,839
Current portion of long-term bank borrowings, unsecured	19,829	3,600
	<u>25,829</u>	<u>20,439</u>
	<u>47,986</u>	<u>61,639</u>

The Group's bank borrowings mature until 2016 and bear interest at rates ranging from 0.88% to 1.63% (as at 31 December 2012: 0.90% to 1.80%) per annum as at 31 December 2013.

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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
6 months or less	<u>41,986</u>	<u>44,800</u>

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

	As at 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Carrying amount	<u>22,157</u>	<u>41,200</u>
Fair value	<u>20,565</u>	<u>39,872</u>

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.88% (31 December 2012: 2.86%) and are within level 2 of the fair value hierarchy.

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

	As at 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
US\$	<u>47,986</u>	<u>61,639</u>

As at 31 December 2013, total unsecured bank loan facilities granted by certain banks that have not been utilised by the Group amounted to US\$243,014,000 (as at 31 December 2012: US\$221,361,000) and will expire between February 2014 and September 2016.

20 DEFERRED TAX – GROUP

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

	As at 31 December	
	2013 US\$'000	2012 US\$'000
Deferred tax assets		
– Deferred income tax assets to be recovered within 12 months	(2,820)	(1,061)
Deferred tax liabilities		
– Deferred income tax liability to be settled after more than 12 months	5,987	5,538
– Deferred income tax liability to be settled within 12 months	142	141
	<u>6,129</u>	<u>5,679</u>
Deferred tax liabilities, net	<u>3,309</u>	<u>4,618</u>

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

	For the year ended 31 December	
	2013 US\$'000	2012 US\$'000
Beginning of the year	4,618	4,996
Credited to the consolidated statement of comprehensive income (Note 26)	(1,309)	(378)
End of the year	<u>3,309</u>	<u>4,618</u>

The movement of the deferred tax assets is as follows:

	Write down of inventories to net realisable US\$'000	Disposal of property, plant and Equipment US\$'000	Impairment of trade receivables US\$'000	Impairment of property, plant and equipment US\$'000	Unpaid Wages US\$'000	Tax losses US\$'000	Total US\$'000
At 1 January 2012	–	–	–	–	–	–	–
Credited to the consolidated statement of comprehensive income	568	23	470	–	–	–	1,061
At 31 December 2012 and 1 January 2013	568	23	470	–	–	–	1,061
Credited/(charged) to the consolidated statement of comprehensive income	654	(9)	629	229	58	198	1,759
At 31 December 2013	<u>1,222</u>	<u>14</u>	<u>1,099</u>	<u>229</u>	<u>58</u>	<u>198</u>	<u>2,820</u>

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 US\$1,934,250 (2012: US\$1,552,500) in respect of losses amounting to US\$7,737,000 (2012: US\$6,210,000) that can be carried forward against future taxable income. Losses amounting to US\$1,004,000, US\$2,283,000, US\$2,923,000 and US\$1,527,000 will expire in 2016, 2017, 2018 and 2019 respectively.

The movement of the deferred tax liabilities is as follows:

	Taxable temporary differences related to depreciation of property, plant and equipment <i>US\$'000</i>	Withholding tax provided <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2012	772	4,224	4,996
(Credited)/charged to the consolidated statement of comprehensive income	(62)	745	683
At 31 December 2012 and 1 January 2013	710	4,969	5,679
(Credited)/charged to the consolidated statement of comprehensive income	(114)	564	450
At 31 December 2013	<u>596</u>	<u>5,533</u>	<u>6,129</u>

As at 31 December 2013, deferred tax liabilities of US\$9,662,000 (31 December 2012: US\$7,346,000) 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\$96,620,000 at 31 December 2013 (31 December 2012: US\$73,460,000).

21 DUE TO RELATED COMPANIES AND THE ULTIMATE HOLDING COMPANY – GROUP

	As at 31 December 2013 <i>US\$'000</i>	2012 <i>US\$'000</i>
Trade payables to:		
(i) Related companies:		
Uniflex Technology Inc.	6,460	4,325
Hitop Communications Corporation	239	–
High-Toned Opto Technology Corporation	217	2
Uniflex Technology (Jiangsu) Limited (associate of the ultimate holding company: TSMT Taiwan)	15	1
High-Toned Opto Technology (Suzhou) Limited	20	–
	<u>6,951</u>	<u>4,328</u>
(ii) The ultimate holding company:		
TSMT Taiwan	<u>3,803</u>	<u>7,530</u>

As at 31 December 2013 and 2012, 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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Loss on disposal of property, plant and equipment	(557)	(814)
Foreign exchange gains, net	947	1,026
Others	1,316	738
	<u>1,706</u>	<u>950</u>

23 EXPENSES BY NATURE

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Employee benefit expenses (<i>Note 24</i>)	75,546	75,288
Material and consumables costs	1,066,325	1,359,443
Changes in inventories of finished goods and work in progress	(6,763)	449
Depreciation of property, plant and equipment (<i>Note 6</i>)	23,228	22,407
Provision for impairment of property, plant and equipment (<i>Note 6</i>)	917	–
Provision/(reversal of provision) for write-down of inventories	1,386	(1,127)
Amortisation of land use rights (<i>Note 7</i>)	213	137
Provision for impairment of trade receivables (<i>Note 10</i>)	3,162	1,880
Provision for impairment of other receivables (<i>Note 11</i>)	572	–
Utilities	8,148	8,122
Research and development expenses	3,374	2,873
Real estate tax, stamp duty and other taxes	2,099	3,034
Operating lease rental	1,348	1,610
Bank charges	613	425
Auditor's remuneration	139	144
Other expenses	15,496	14,844
	<u>1,195,803</u>	<u>1,489,529</u>
Total cost of sales, selling and distribution costs and administrative expenses		

24 EMPLOYEE BENEFIT EXPENSES – GROUP

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

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Fair value of employee share options granted	317	19
Wages, salaries and bonus	69,784	69,213
Social security and benefits	4,797	5,426
Staff welfare	648	630
	<u>75,546</u>	<u>75,288</u>

(a) Directors' emoluments

	For the year ended 31 December	
	2013 US\$'000	2012 US\$'000
– Fees	175	186
– Basic salaries, housing allowances, other allowances and benefits-in-kind	359	414
– Bonuses	106	104
– Fair value of employee share options granted	65	4
	<u>705</u>	<u>708</u>

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

(i) For the year ended 31 December 2013:

	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-Yun (CEO) (note a)	46	255	60	14	375
– Ms. Han Min	24	47	12	12	95
– Ms. Tseng Yu-Ling, Kelly	24	50	10	9	93
Non-executive director					
– Mr. Wu Kai-Hsiung (note b)	28	7	24	9	68
Independent non-executive directors					
– Mr. Kwok Kwan-Hung	23	–	–	7	30
– Ms. Hsu Wey-Tyng	15	–	–	7	22
– Ms. Lin Yen-Yu	15	–	–	7	22
	<u>175</u>	<u>359</u>	<u>106</u>	<u>65</u>	<u>705</u>

Notes:

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

(ii) For the year ended 31 December 2012:

	Fees <i>US\$'000</i>	Basic salaries, housing allowances, other allowances, and benefits- in-kind <i>US\$'000</i>	Bonuses <i>US\$'000</i>	Fair value of share options granted <i>US\$'000</i>	Total <i>US\$'000</i>
Executive directors					
– Mr. Wu Kai-Hsiung (CEO)	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	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
	<u>186</u>	<u>414</u>	<u>104</u>	<u>4</u>	<u>708</u>

For the year ended 31 December 2013 and 2012, 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.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 include three directors (for the year ended 31 December 2012: 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 2012: two individuals) for the year ended 31 December 2013 is as follows:

	For the year ended 31 December	
	2013 <i>US\$'000</i>	2012 <i>US\$'000</i>
– Basic salaries, housing allowances, other allowances and benefits-in-kind	136	132
– Bonuses	19	20
– Fair value of employee share options granted	12	1
	<u>167</u>	<u>153</u>

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

	Number of individuals	
	2013	2012
– Nil to HK\$1,000,000	2	2

(c) Senior management

	For the year ended 31 December	
	2013 US\$'000	2012 US\$'000
– Fees	94	86
– Basic salaries, housing allowances, other allowances and benefits-in-kind	352	168
– Bonuses	82	31
– Fair value of employee share options granted	35	3
	<u>563</u>	<u>288</u>

The emoluments of senior management fell within the following bands:

	Number of individuals	
	2013	2012
– Nil to HK\$1,000,000	2	2
– HK\$1,000,001 to HK\$1,500,000	–	1
– HK\$2,500,001 to HK\$3,000,000	1	–

25 FINANCE INCOME AND COSTS

	For the year ended 31 December	
	2013 US\$'000	2012 US\$'000
Interest expense		
– bank borrowings	(1,056)	(1,118)
Finance costs	<u>(1,056)</u>	<u>(1,118)</u>
Interest income on bank deposits	3,062	2,705
Net foreign exchange gains	2,368	681
Finance income	<u>5,430</u>	<u>3,386</u>
Net finance income	<u>4,374</u>	<u>2,268</u>

26 INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Current income tax		
– Hong Kong profits tax	210	513
– PRC enterprise income tax	21,225	16,926
Deferred income tax (<i>Note 20</i>)	(1,309)	(378)
	20,126	17,061
	20,126	17,061

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 2013 (for the year ended 31 December 2012: 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. The subcontracting factory has stopped its operation in 2013 and all of its business has been moved to Regent Dongguan as at 31 December 2013.

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%.

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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before income tax	76,596	80,045
Tax calculated at applicable statutory tax rates in respective regions	18,933	19,560
Effect of different tax rates and tax exemption	(210)	(4,186)
Expenses not deductible for tax purposes	457	211
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	564	745
Unrecognised tax losses	382	731
Income tax expense	20,126	17,061

The weighted average applicable tax rates were 26.3% (for the year ended 31 December 2012: 21.3%) for the year ended 31 December 2013.

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\$27,720,000 (for the year ended 31 December 2012: US\$32,928,000).

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 only one category of dilutive potential ordinary shares, which is the employees share option scheme. 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 2013.

	For the year ended 31 December	
	2013	2012
Profit attributable to equity holders of the Company (US\$'000)	56,470	62,984
Weighted average number of ordinary shares in issue ('000)	2,149,765	2,118,184
Basic and diluted earnings per share (US\$ per share)	0.0263	0.0297

29 DIVIDENDS

	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Interim dividend declared of HK\$0.05 (2012: HK\$0.05) per ordinary share	13,858	13,857
Proposed final dividend of HK\$0.04 (2012: HK\$0.05) per ordinary share	11,080	13,861

On 18 March 2013, the directors of the Company proposed and declared a final dividend in respect of the year ended 31 December 2012 of HK\$0.05 per ordinary share, totalling HK\$107,488,273 (equivalent to approximately US\$13,861,000). Such final dividend was paid on 26 June 2013.

On 12 August 2013, 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\$13,858,000) for the six months ended 30 June 2013 (for the six months ended 30 June 2012: approximately US\$13,857,000). Such interim dividend was paid on 21 October 2013.

The proposed final dividend in respect of the year ended 31 December 2013 of HK\$0.04 (for the year ended 31 December 2012: HK\$0.05) per ordinary share, amounting to a total dividend of HK\$85,990,619 (equivalent to approximately US\$11,080,000) is based on 2,149,765,464 ordinary shares (2012: 2,149,765,464 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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before income tax	76,596	80,045
Adjustments for:		
– Depreciation of property, plant and equipment (<i>Note 23</i>)	23,228	22,407
– Amortisation of land use rights (<i>Note 23</i>)	213	137
– Loss on disposals of property, plant and equipment (<i>Note 22</i>)	557	814
– Provision for impairment of trade receivables (<i>Note 23</i>)	3,162	1,880
– Provision for impairment of other receivables (<i>Note 23</i>)	572	–
– Provision/(reversal of provision) for write-down of inventories (<i>Note 23</i>)	1,386	(1,127)
– Provision for impairment of property, plant and equipment (<i>Note 23</i>)	917	–
– Net foreign exchange gains	(2,368)	(681)
– Interest expense (<i>Note 25</i>)	1,056	1,118
– Interest income (<i>Note 25</i>)	(3,062)	(2,705)
– Decrease in inventories	19,333	13,819
– Decrease/(increase) in trade receivables	135,533	(68,913)
– Decrease in prepayments, deposits and other receivables	6,001	628
– (Increase)/decrease in amounts due from related parties	(368)	6,684
– Decrease/(increase) in amount due from the ultimate holding company	3,545	(2,605)
– (Decrease)/increase in trade payables	(128,403)	37,016
– (Decrease)/increase in accruals and other payables	(119)	773
– (Decrease)/increase in amount due to the ultimate holding company	(3,727)	3,554
– Increase in amounts due to related parties	2,623	4,080
– Employees share option scheme (<i>Note 24</i>)	317	19
– Translation reserve	(276)	(267)
	<u>136,716</u>	<u>96,676</u>
Cash generated from operations	<u>136,716</u>	<u>96,676</u>

(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	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Net book amount (<i>Note 6</i>)	1,691	1,213
Loss on disposal of property, plant and equipment (<i>Note 22</i>)	(557)	(814)
	<u>1,134</u>	<u>399</u>
Proceeds from disposal of property, plant and equipment	<u>1,134</u>	<u>399</u>

31 COMMITMENTS**(a) Capital commitments**

	As at 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Contracted but not provided for:		
Construction of plants	4,499	25,935
Purchase of machineries	201	360
	<u>4,700</u>	<u>26,295</u>

(b) Commitments under operating leases

As at 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Not later than one year	29	274
Later than one year but not later than five years	–	29
	<u>29</u>	<u>303</u>

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

(b) Significant 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 2013 also include:

	For the year ended 31 December	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
(1) Sales of goods to		
– TSMC Taiwan	44,453	36,779
– Hitop Communications Corporation	2,022	39,099
– High-Toned Opto Technology Corporation	684	251
– Gene Han (Shenzhen) Limited	–	3
	47,159	76,132
	47,159	76,132
(2) Sales of raw materials to		
– Hitop Communications Corporation	367	1,107
– Uniflex Technology Inc.	6	–
– Gene Han (Shenzhen) Limited	–	1
	373	1,108
	373	1,108
(3) Purchase of raw materials from		
– TSMC Taiwan	18,484	13,707
– Uniflex Technology Inc.	13,603	9,504
– High-Toned Opto Technology Corporation	1,452	2
– Hitop Communications Corporation	273	220
– Uniflex Technology (Jiangsu) Limited	29	1
– Tai Ming Green Power Co., Ltd.	–	27
	33,841	23,461
	33,841	23,461
(4) Purchase of goods from		
– High-Toned Opto Technology (Suzhou) Limited	674	248
– TSMC Taiwan	171	569
– Tai Ming Green Power Co., Ltd.	–	3
	845	820
	845	820
(5) Purchase of machinery from		
– High-Toned Opto Technology (Suzhou) Limited	21	66
	21	66
	21	66
(6) Product development service fee charged by		
– TSMC Taiwan	712	1,336
	712	1,336
	712	1,336
(7) Sub-contracting fee received/receivable from		
– High-Toned Opto Technology (Suzhou) Limited	1	260
– Hitop Communications Corporation	–	73
– Uniflex Technology (Jiangsu) Limited	–	27
	1	360
	1	360
(8) Rental fee received/receivable from		
– High-Toned Opto Technology (Suzhou) Limited	107	98
	107	98
	107	98

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 directors. The compensation paid or payable to key management is shown in Note 24(c).

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 has been recorded in the Group's financial statements as at 31 December 2013.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2014

The following financial information is extracted or derived from the quarterly results announcement of the Group for the three months ended 31 March 2014:

Condensed Consolidated Statement of Comprehensive Income

	Notes	For the three months ended 31 March	
		2014 US\$'000 (Unaudited)	2013 US\$'000 (Unaudited)
Revenue	3	221,542	352,067
Cost of sales		(201,682)	(322,162)
Gross profit		19,860	29,905
Selling and distribution costs		(932)	(897)
Administrative expenses		(7,884)	(7,407)
Other (losses)/gains – net		(4,905)	134
Operating profit	4	6,139	21,735
Finance income		1,960	498
Finance costs	5	(334)	(286)
Finance income – net		1,626	212
Profit before income tax		7,765	21,947
Income tax expense	6	(2,665)	(5,554)
Profit for the period attributable to equity holders of the Company		5,100	16,393
Profit for the period attributable to minority interests		–	–
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Currency translation differences		(1,220)	527
Total comprehensive income for the period attributable to equity holders of the Company		3,880	16,920
Earnings per share for profit attributable to the equity holders of the Company during the period			
– basic	7	US\$0.0024	US\$0.0076
– diluted	7	US\$0.0024	US\$0.0076
Dividends	8	–	–
Dividends per share		–	–

Note: For the three months ended 31 March 2014 and 2013, there were no extraordinary items, exceptional items because of size, nature or incidence and minority interest. The directors did not recommend the payment of interim dividends for both periods.

Condensed Consolidated Balance Sheet*As at 31 March 2014*

	<i>Notes</i>	31 March 2014 <i>US\$'000</i> (Unaudited)	31 December 2013 <i>US\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		212,906	217,431
Land use rights		6,938	7,025
Prepayments for land use rights		553	557
Deferred tax assets		2,626	2,820
		<u>223,023</u>	<u>227,833</u>
Current assets			
Inventories		45,351	50,303
Trade receivables	9	292,765	323,055
Prepayments, deposits and other receivables		15,275	27,072
Due from related companies		4,491	2,002
Due from the ultimate holding company		7,145	11,456
Cash and bank balances		232,537	208,274
		<u>597,564</u>	<u>622,162</u>
Total assets		<u><u>820,587</u></u>	<u><u>849,995</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		1,379	1,379
Share premium		84,070	84,070
Other reserves		333,576	329,682
		<u>419,025</u>	<u>415,131</u>
Total equity		<u><u>419,025</u></u>	<u><u>415,131</u></u>

		31 March 2014	31 December 2013
	<i>Notes</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		18,407	22,157
Deferred tax liabilities		6,242	6,129
		<u>24,649</u>	<u>28,286</u>
Current liabilities			
Trade payables	<i>10</i>	264,288	311,158
Accruals and other payables		17,660	24,373
Bank borrowings		51,441	25,829
Due to the ultimate holding company		3,929	3,803
Due to related companies		8,238	6,951
Current income tax liabilities		31,357	34,464
		<u>376,913</u>	<u>406,578</u>
Total liabilities		<u><u>401,562</u></u>	<u><u>434,864</u></u>
Total equity and liabilities		<u><u>820,587</u></u>	<u><u>849,995</u></u>
Net current assets		<u><u>220,651</u></u>	<u><u>215,584</u></u>
Total assets less current liabilities		<u><u>443,674</u></u>	<u><u>443,417</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 9 August 2006.

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 condensed consolidated interim financial statements are presented in United States dollars ("US\$") unless otherwise stated. These condensed consolidated interim financial statements have not been audited and were approved for issue by the Board of Directors on 28 April 2014.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2013.

The Group has adopted a number of new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") for the first time in these condensed consolidated interim financial statements. The adoption of these new and revised HKFRSs has no significant effect on these condensed consolidated interim financial statements.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in these condensed consolidated interim financial statements. The Group is in the process of making assessment of the impact of these new or revised HKFRSs upon initial adoption, while it is not expected that the adoption of these new or revised HKFRSs will have a significant impact on the Group or the Company's financial statements.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as below:

	For the three months ended 31 March	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Sales of goods	217,246	349,253
Subcontracting service income	4,296	2,814
	<u>221,542</u>	<u>352,067</u>
Total revenue	<u>221,542</u>	<u>352,067</u>

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 People's Republic of China ("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 three months ended 31 March 2014.

4. OPERATING PROFIT

The Group's operating profit is arrived at after charging the following items:

	For the three months ended 31 March	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	5,908	5,912
Amortisation of land use rights	38	95
Loss on disposals of property, plant and equipment	263	424
(Reversal of)/provision for write-down of inventories	(25)	1,338
Provision for impairment of property, plant and equipment	161	–
	<u> </u>	<u> </u>

5. FINANCE COSTS

	For the three months ended 31 March	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense		
– bank borrowings	334	286

6. INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	For the three months ended 31 March	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	–	40
– Taiwan corporate income tax	282	–
– PRC corporate income tax	2,076	5,464
Deferred income tax	307	50
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	2,665	5,554

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 Manner (BVI) Limited 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 Manner Limited (“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 three months ended 31 March 2014 (for the three months ended 31 March 2013: 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. The subcontracting factory has stopped its production since December 2012 and all of its business has been moved to Regent Electron (Dongguan) Co. Ltd. as at 31 March 2014.

The branch company of Regent HK set up in Taiwan has started operation in March 2014. It is subject to the Taiwan corporate income tax at a rate of 17%.

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%.

7. 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 only one category of dilutive potential ordinary shares, which is the employees share option scheme.

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 three months ended 31 March 2014.

	For the three months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (US\$'000)	5,100	16,393
Weighted average number of ordinary shares in issue ('000)	2,149,765	2,149,765
Basic and diluted earnings per share (US\$ per share)	0.0024	0.0076

8. DIVIDENDS

The Board did not recommend the payment of dividend to the ordinary shareholders for the three months ended 31 March 2014 (for the three months ended 31 March 2013: Nil).

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit terms granted to customers range from 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 March 2014	As at 31 December 2013
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Within 90 days	241,816	269,987
Between 91 days to 180 days	50,202	52,002
Between 181 days to 365 days	618	931
Over 365 days	719	725
	<u>293,355</u>	<u>323,645</u>
Less: Provision for impairment	(590)	(590)
	<u>292,765</u>	<u>323,055</u>

10. TRADE PAYABLES

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

	As at 31 March 2014	As at 31 December 2013
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Audited)
Within 90 days	189,661	226,100
Between 91 days to 180 days	73,816	84,289
Between 181 days to 365 days	361	379
Over 365 days	451	390
	<u>264,288</u>	<u>311,158</u>

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

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.

Revenue

For the three months ended 31 March 2014, the Group recorded an unaudited consolidated revenue of approximately US\$221,542,000 (for the three months ended 31 March 2013: approximately US\$352,067,000), representing a decline of approximately 37.1% over the corresponding period of last year. Decrease in revenue during the period was primarily due to (i) the increased proportion of sales of subcontracting service (for which raw materials were provided by customers) during the period as compared with the corresponding period of last year; (ii) the reduction of sales of control boards applicable to small-size tablet computers as compared with the corresponding period of last year.

Gross Profit

Due to the decrease of revenue mentioned above, the unaudited consolidated gross profit for the three months ended 31 March 2014 decreased proportionately by approximately 33.6% to approximately US\$19,860,000 (for the three months ended 31 March 2013: approximately US\$29,905,000), representing a decline of approximately US\$10,045,000.

Due to (1) the increasing proportion of sales of control boards for TFT-LCD and LED lighting modules which have higher gross profit margins and (2) increase of overall utilization rate of production facilities as a result of the consolidation of production capacity of the factory that was running in relatively lower utilization rate in the past, the overall gross profit margin of the Group for the three months ended 31 March 2014 increased to approximately 9.0% from approximately 8.5% for the corresponding period of last year.

Net Profit

Further to the decline of gross profit by approximately US\$10,045,000 mentioned above, in response to the recent depreciation of Renminbi, an exchange loss of approximately US\$5,000,000 was recorded for the reduction of book value of the Group’s Renminbi savings deposit at the time of translating into US dollars for book recording purpose as at 31 March 2014. As a result, the unaudited consolidated profit before income tax for the three months ended 31 March 2014 reduced by approximately US\$14,182,000 or approximately 64.6% to approximately US\$7,765,000 (for the three months ended 31 March 2013: approximately US\$21,947,000).

However, in line with the decrease in profit, income tax expense was reduced by approximately US\$2,889,000 or 52.0% to US\$2,665,000 for the three months ended 31 March 2014 (for the three months ended 31 March 2013: approximately US\$5,554,000). Therefore, the unaudited consolidated net profit after tax became approximately US\$5,100,000 as compared with approximately US\$16,393,000 for the corresponding period of the last year, representing a decline of approximately 68.9%.

Net profit margin for the three months ended 31 March 2014 became approximately 2.3% (for the three months ended 31 March 2013: approximately 4.7%), while net profit margin for the three months ended 31 March 2014 without the reduction of book value of Renminbi's savings deposit would become 4.6% which would be similar to 4.7% for the corresponding period of last year. The Group will closely monitor the trend of the exchange rate and assess the relevant impact from time to time.

Liquidity and Financial Resources

As at 31 March 2014, the Group's unaudited net current assets was approximately US\$220,651,000 (31 December 2013: approximately US\$215,584,000) which consisted of current assets amounted to approximately US\$597,564,000 (31 December 2013: approximately US\$622,162,000) and current liabilities amounted to approximately US\$376,913,000 (31 December 2013: approximately US\$406,578,000). The current ratio, defined as current assets over current liabilities, was 1.59 times as at 31 March 2014, which was higher than 1.53 times as at 31 December 2013.

As at 31 March 2014, the cash and bank balances amounted to approximately US\$232,537,000 (31 December 2013: approximately US\$208,274,000) while the unsecured bank loan repayable within one year was approximately US\$51,441,000 (31 December 2013: approximately US\$25,829,000); and the bank loan repayable beyond one year was approximately US\$18,407,000 (31 December 2013: approximately US\$22,157,000).

The gearing ratio, defined as total borrowings (other than payables in ordinary course of business) over total equity, as at 31 March 2014 was approximately 17% (31 December 2013: approximately 12%).

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 foreign exchange risk in this respect.

Capital Expenditure

The Group invested approximately US\$2,850,000 during the three months ended 31 March 2014 for the construction of factory premises, purchase and installation of plant machinery, equipment and other tangible assets, as compared to approximately US\$8,572,000 for the three months ended 31 March 2013. These capital expenditures were fully financed by the internal resources of the Group and bank borrowings.

Capital Commitments and Contingent Liabilities

As at 31 March 2014, the future capital commitments for which the Group had contracted but not provided for amounted to approximately US\$2,784,000 which relate mainly to the construction of plants in PRC. As at 31 March 2014, 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 mainland China, including quality staff quarter, training and development opportunities, medical benefits, insurance coverage, retirement benefits and employees share option scheme in order to attract, retain and motivate employees. As at 31 March 2014, the Group had 8,665 employees (as at 31 March 2013: 10,426 employees). The total wages and related cost for the three months ended 31 March 2014 amounted to approximately US\$15,611,000 (three months ended 31 March 2013: approximately US\$17,779,000).

*Prospects**Products and business*

During the first quarter of 2014, the shipments for SMT production solutions applied to LED light bars for tablet computers and sensors for touch-panels was seasonally slow. 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. The Group's developing business in relation to the SMT production solutions for LED general lighting, touch panel devices and white appliances keep making contribution to the Group. However, business in the second quarter may still be affected seasonality of the electronic industry. The Group will keep promoting the subcontracting service and 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 continuously invest in advanced production facilities and automatic production machines to enhance production efficiency and quality. During the first quarter of 2014, the Group has kept enhancing the production facilities and automation of the plants in Chongqing to cope with the new orders for manufacturers of touch-panels. The Group has 179 SMT production lines as at 31 March 2014 and will initiate the capacity expansion when and where appropriate.

Industry

In the long run, thanks to the government policies promoting energy-saving in many countries, technology evolution, as well as the increasing desire for advanced energy-saving devices in the consumer market, market players of electronic products will keep launching new generation of products, 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. The Group's management is confident that its business will continue to grow in the foreseeable future and generate good returns for the Company's shareholders.

DIVIDENDS

The Board did not recommend the payment of dividend to the ordinary shareholders for the three months ended 31 March 2014 (for the three months ended 31 March 2013: Nil).

CORPORATE GOVERNANCE PRACTICES

The Group is committed in ensuring high standards of corporate governance in the interest of its shareholders. The Directors confirm, to the best of their knowledge, the Group has complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the three months ended 31 March 2014 except for the deviation as explained below:

Code Provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should not be performed by the same individual. As Mr. Wu Kai-Hsiung, a director, resigned as the chief executive officer and was re-designated as a non-executive director with effect from 22 January 2013, and since then Mr. Wu Kai-Yun, the chairman of the Company, took over as the chief executive officer, the Company deviated from code provision A.2.1.

Currently, Mr. Wu Kai-Yun serves as the chairman of the Board and the chief executive officer of the Company. Mr. Wu is the founder of the Group. He has extensive experience in the surface mount technology business and possesses good reputation, which are key qualifications for the chairmanship. The Group has been moving forward under his leadership as the chairman. Meanwhile, Mr. Wu possesses such competent management skills and business acumen as shall be required for the chief executive officer in his performance of daily management. The Board is comprised of three executive directors (including the chairman), one non-executive director and three independent non-executive directors, each of whom has appropriate skills and experience required by the Group. In addition, the general managers in charge of the operations of the Company's subsidiaries are acted by other unconnected persons. Rules for the proceedings of Board meetings also maintain a mechanism for reporting of interest and abstention from voting.

The Board believes that the current structure of the Board and voting mechanism have already ensured a balance between directors' rights and responsibilities. The Board believes that with Mr. Wu's rich experience in the industry, his roles as both the chairman and chief executive officer not only can enhance communications between the Board and the management team, but also assure that the management team can effectively carry out the policies approved by the Board.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding securities transactions by the Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. All Directors confirmed that they have complied with the required standard set out in the Model Code during the three months ended 31 March 2014.

AUDIT COMMITTEE

The Company established an audit committee (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 purpose of monitoring the effectiveness of the Group's financial reporting process, internal control and risk management systems. The Audit Committee comprises all of the three independent non-executive Directors, namely, Mr. Kwok Kwan Hung (chairman of the Audit Committee), Ms. Hsu Wey-Tyng and Ms. Lin Yen-Yu. The Audit Committee has reviewed the unaudited condensed consolidated results, including the accounting principles adopted by the Group, for the three months ended 31 March 2014.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2014.

4. MONTHLY TURNOVER FOR MAY 2014

On 5 June 2014, the Company announced that the unaudited net consolidated turnover of the Group was approximately US\$84.7 million for May 2014, representing a decrease of approximately 31% as compared with that of approximately US\$123.6 million for May 2013, and an increase of approximately 2% as compared with that of approximately US\$83.4 million for April 2014. The Group's net accumulative consolidated turnover for the five months ended 31 May 2014 amounted to approximately US\$389.7 million, representing a decrease of approximately 34% as compared with that of approximately US\$594.0 million for the five months ended 31 May 2013.

5. INDEBTEDNESS

At the close of business on 30 April 2014, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding unsecured bank borrowings of approximately USD\$92,583,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 April 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that, as at the Latest Practicable Date, there has been no material change to the Group's indebtedness and contingent position since 30 April 2014.

6. MATERIAL CHANGES

Save as and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) the Company published a profit warning announcement on 9 April 2014 and a quarterly results announcement on 28 April 2014 in respect of the unaudited consolidated financial performance of the Group for the three months ended 31 March 2014 ("**2014 Q1 Results Announcement**") whereby it was disclosed, among other things, that the Group recorded material declines in revenue and profit. Such material declines in revenue and profit of the Group for the three months ended 31 March 2014 were primarily due to (i) the increased proportion of sales of subcontracting service (for which raw materials were provided by customers); and (ii) the reduction of sales of control boards applicable to small-size tablet computers; and

- (ii) as disclosed in the 2014 Q1 Results Announcement, in response to the depreciation of Renminbi in 2014, the Group recorded an exchange loss (compared with an exchange gain in 2013) for the three months ended 31 March 2014 due to the reduction of book value of the Group's Renminbi savings deposit at the time of translating into US dollars for book recording purpose.

1. RESPONSIBILITY STATEMENTS

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Proposal, the Offeror and the Group.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Scheme Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$50,000,000.00 divided into 10,000,000,000 Shares;
- (b) the issued share capital of the Company was HK\$10,748,827.32 divided into 2,149,765,464 Shares;
- (c) the Company had not issued any Shares since 31 December 2013, being the end of the last financial year of the Company;
- (d) all of the issued Shares ranked *pari passu* in all respects with each other, including all rights as to dividends, voting and capital;
- (e) there were 12,140,000 Options granted under the Share Option Scheme and remaining outstanding, with an exercise price of HK\$1.41 per Share and an exercise period from 11 December 2013 to 10 December 2016. Mr. Wu Kai-Yun held 600,000 Options and Mr. Wu Kai-Hsiung held 350,000 Options. An aggregate of 12,140,000 Shares may fall to be issued if all outstanding Options are exercised by the Optionholders in full; and
- (f) other than the Shares and the outstanding Options as disclosed in paragraphs (b) and (e) above, there were no other outstanding options, warrants, derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company

As at the Latest Practicable Date, the interests and short positions of the 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 SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executives of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code") were as follows:

Name of Director	Company/ name of associated corporation	Personal interest	Number of ordinary shares held and underlying shares			Percentage of interest in the relevant issued share capital
			Family interest (Note 1)	Options vested (exercised)/ unvested	Total	
Mr. Wu Kai-Yun	the Company	6,872,628	–	180,000 (0)/ 420,000	7,472,628	0.35%
Mr. Wu Kai-Hsiung	the Company	3,927,216	–	105,000 (0)/ 245,000	4,277,216	0.20%
Ms. Han Min	the Company	–	–	150,000 (0)/ 350,000	500,000	0.02%
Ms. Tseng Yu-Ling	the Company	992,682	–	105,000 (0)/ 245,000	1,342,682	0.06%
Ms. Lin Yen-Yu	the Company	–	–	90,000 (0)/ 210,000	300,000	0.01%
Mr. Kwok Kwan Hung	the Company	50,000	–	90,000 (0)/ 210,000	350,000	0.02%
Ms. Hsu Wey-Tyng	the Company	–	–	90,000 (0)/ 210,000	300,000	0.01%
Mr. Wu Kai-Yun	TSMT Taiwan	11,017,999	12,274,867	–	23,292,866	8.62%
Mr. Wu Kai-Hsiung	TSMT Taiwan	316,251	77,576	–	393,827	0.15%
Ms. Tseng Yu-Ling	TSMT Taiwan	87,600	–	–	87,600	0.03%
Ms. Hsu Wey-Tyng	TSMT Taiwan	1,211,783	–	–	1,211,783	0.45%

APPENDIX II GENERAL INFORMATION OF THE GROUP AND THE OFFEROR

Name of Director	Company/ associated corporation	Nature of interest	Number and class of securities	Percentage of interest in the relevant issued share capital
Mr. Wu Kai-Yun	<i>Note 2</i>	Personal & family <i>(Note 1)</i>	<i>Note 3</i>	<i>Note 3</i>
Mr. Wu Kai-Hsiung	<i>Note 2</i>	Personal & family <i>(Note 1)</i>	<i>Note 3</i>	<i>Note 3</i>
Ms. Tseng Yu-Ling	<i>Note 2</i>	Personal & family <i>(Note 1)</i>	<i>Note 3</i>	<i>Note 3</i>

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 the Latest Practicable Date, 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.

As at the Latest Practicable Date, each of the Optionholders (including Mr. Wu Kai-Yun, Mr. Wu Kai-Hsiung, Ms. Han Min, Ms. Tseng Yu-Ling, Ms. Lin Yen-Yu, Mr. Kwok Kwan Hung and Ms. Hsu Wey-Tyng) had indicated that he/she intended to accept the Option Offer.

As at the Latest Practicable Date, since each of Mr. Wu Kai-Yun and Mr. Wu Kai-Hsiung is a party acting in concert with the Offeror, they will abstain from voting at the Court Meeting in respect of the relevant resolutions in relation to the Proposal. Each of Mr. Wu Kai-Yun and Mr. Wu Kai-Hsiung intends, in respect of their own beneficial shareholding in the Shares, to vote in favour of the resolutions regarding the Proposal at the EGM.

As at the Latest Practicable Date, each of Ms. Tseng Yu-Ling and Mr. Kwok Kwan Hung intends, in respect of their own beneficial shareholding in the Shares, to vote in favour of the resolutions regarding the Proposal at the Court Meeting and the EGM.

APPENDIX II GENERAL INFORMATION OF THE GROUP AND THE OFFEROR

(b) Interests and short positions of the Offeror and other substantial Shareholders in Shares and underlying Shares

As at the Latest Practicable Date, 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:

Name	Nature of interest	Number of Shares	Approximate % 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 Taiwan Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, its sole director and their respective parties acting in concert, owned or controlled any Shares or any options, warrants, derivatives or securities convertible into Shares.

As at the Latest Practicable Date, KGI Capital and its respective group companies and directors did not have any beneficial interest in any Shares or any options, warrants, derivatives or securities convertible into Shares.

As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code.

APPENDIX II GENERAL INFORMATION OF THE GROUP AND THE OFFEROR

As at the Latest Practicable Date, there is no agreement, arrangement for or understanding for any transfer, charge or pledge of Shares acquired pursuant to the Scheme to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and any party acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(c) Dealings in the relevant securities of the Company

- (1) During the Relevant Period, the following persons acting in concert with the Offeror had dealt for value in the Shares, the particular of which are as follows:

sale and purchase

Name	Date	Transaction	Number of Shares dealt for value	Execution price per Share (HK\$)
Mr. Hwu, Shoou-Chyang	21 November 2013	Sold	40,000	1.31
Mr. Hwu, Shoou-Chyang	9 December 2013	Purchased	20,000	1.36
Mr. Hwu, Shoou-Chyang	30 December 2013	Purchased	30,000	1.33
Mr. Hwu, Shoou-Chyang	12 March 2014	Purchased	31,000	1.27
Mr. Hwu, Shoou-Chyang	12 March 2014	Purchased	6,000	1.26
Mr. Hwu, Shoou-Chyang	13 March 2014	Purchased	1,000	1.25
Mr. Hwu, Shoou-Chyang	25 March 2014	Sold	10,000	1.28
Mr. Hwu, Shoou-Chyang	25 March 2014	Purchased	2,000	1.29
Mr. Hwu, Shoou-Chyang	28 March 2014	Sold	20,000	1.29

Save as disclosed above, during the Relevant Period, none of the Offeror or the parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

During the Relevant Period, none of the director of the Offeror had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares.

- (2) During the Relevant Period, none of the Directors had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (3) During the Offer Period and up to the Latest Practicable Date:
- (i) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of

“associate” under the Takeovers Code (but excluding exempt principal traders) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iii) no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

(d) Interest in the Offeror

As at the Latest Practicable Date, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(e) Dealings in the securities of the Offeror

During the Relevant Period, none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

(f) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (i) no benefit was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Proposal;
- (ii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Proposal;
- (iii) there was no agreement or arrangement to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal; and
- (iv) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Shares which might be material to the Proposal.

(g) Other interests

As at the Latest Practicable Date:

- (i) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code;
- (ii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (iii) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers connected with the Company;
- (iv) there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal;
- (v) no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (vi) none of the Company and the Directors had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any of its subsidiaries.

5. MATERIAL CONTRACTS

No contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and were or might be material.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six (6) months preceding the Announcement Date; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract that has more than 12 months to run irrespective of the notice period.

7. MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price
30 November 2013	HK\$1.40
31 December 2013	HK\$1.35
31 January 2014	HK\$1.25
28 February 2014	HK\$1.32
31 March 2014	HK\$1.31
Last Trading Day	HK\$1.36
30 April 2014	Trading suspended
Latest Practicable Date	HK\$1.68

During the Relevant Period, the highest closing price of the Shares was HK\$1.69 on 26 May 2014 and the lowest closing price of the Shares was HK\$1.24 on 27 January 2014 and 14 March 2014.

8. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have been named in this Scheme Document or have given opinion or advice which are contained in this Scheme Document:

Name	Qualification
KGI Capital	a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Proton Capital	a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

KGI Capital and Proton Capital have given and have not withdrawn their respective written consents to the issue of this Scheme Document with the inclusion of their letters and advices (as the case may be) and the references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, KGI Capital and Proton Capital did not have any shareholdings in the Company.

9. MISCELLANEOUS

- (i) The sole director of the Offeror is Mr. Wu Kai-Yun.
- (ii) The registered office of the Offeror is situated at Tropic Isle Building, Po Box 438 Road Town Tortola, British Virgin Island. The ultimate controlling shareholder of the Offeror is TSMT Taiwan, which is a company listed on the Taiwan Stock Exchange. The directors of TSMT Taiwan are Mr. Wu Kai-Yun, Mr. Lin Wen-Ching, Ms. Wang Chia-Chen, Mr. Hwu, Shouu-Chyang, Ms. Chang, May-Yuan, Ms. Chen Meng-Ping, Mr. Shen Shian-Ho.
- (iii) The registered office of TSMT Taiwan is situated at No. 437, Taoying Road, Taoyuan City 330, Taiwan.
- (iv) The registered office of KGI Capital is situated at 41/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (v) The registered office of the Company is situated at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (vi) The principal place of business of the Company in Hong Kong is situated at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong.
- (vii) The secretary of the Company is Ms. Chan Lai Yi, Karen, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (viii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, situated at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (ix) The principal place of business of Proton Capital is at Suites 06-07, 28/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.
- (x) This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong on 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong from 9:30 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) and on the website of the Company at http://www.rmih.com/default_en.asp and the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until the earlier of (a) the Effective Date or the closing date of the Option Offer, whichever is later; and (b) the date on which the Scheme or the Option Offer lapses or is withdrawn, whichever is later:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the memorandum and articles of association of the Company;
- (iii) the annual reports of the Company for the years ended 31 December 2011, 2012 and 2013 respectively;
- (iv) the quarterly results announcement of the Company for the three months ended 31 March 2014;
- (v) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (vi) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (viii) the written consents issued by KGI Capital and the Independent Financial Adviser referred to in the paragraph headed "8. Consents and qualifications of experts" in this Appendix; and
- (ix) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: 48 OF 2014 (AHJ)

IN THE MATTER OF

REGENT MANNER INTERNATIONAL HOLDINGS LIMITED

AND IN THE MATTER OF

SECTION 86 OF THE COMPANIES LAW (2013 REVISION) OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT

between

REGENT MANNER INTERNATIONAL HOLDINGS LIMITED

and

THE HOLDERS OF SCHEME SHARES

(as hereinafter defined)

(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Business Day”	a day other than a Saturday, Sunday or a public holiday in Hong Kong or the Cayman Islands
“Cancellation Price”	the cancellation price of HK\$1.80 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Cayman Islands Grand Court”	the Grand Court of the Cayman Islands
“Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, as consolidated and revised
“Company”	Regent Manner International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1997)

“Director”	a director of the Company
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Cayman Islands Grand Court, becomes effective in accordance with its terms and the Cayman Islands Companies Law, being the date on which a copy of the Order of the Cayman Islands Grand Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be Tuesday, 5 August 2014 (Cayman Islands time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it (including Mr. Wu Kai-Yun, Mr. Wu Kai-Hsiung, Mr. Lin Wen-Ching, Ms. Wang Chia-Chen, Mr. Hwu, Shouu-Chyang, Ms. Chang May-Yuan, Mr. Lin Wen-Chang and Mr. Shen Shian-Ho)
“Latest Practicable Date”	Monday, 16 June 2014, being the latest practicable date for ascertaining certain information contained in the Scheme Document
“Offeror”	Taiwan Surface Mounting Technology (B.V.I.) Co. Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of TSMT Taiwan and the controlling shareholder of the Company
“Proposal”	the proposal for the privatization of the Company by the Offeror by way of the Scheme and the Option Offer

“Record Date”	4:00 p.m. on Tuesday, 5 August 2014, or such other time and date as shall have been announced to holders of Shares, being the record date for the purpose of determining the entitlements of Scheme Shareholders under the Scheme
“Register”	the principal or branch register of members of the Company (as the case may be)
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares and reduction of share capital and the restoration of the share capital of the Company to the amount immediately before such cancellation and reduction of share capital
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it
“Scheme Shares”	Share(s) other than those held directly or indirectly by the Offeror as at 4:00 p.m. on the Record Date
“Scheme Shareholders”	holder(s) of Scheme Shares as at 4:00 p.m. on the Record Date
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“TSMT Taiwan”	Taiwan Surface Mounting Technology Corp., a company incorporated under the laws of Taiwan with limited liability, the issued shares of which are listed on the Taiwan Stock Exchange and the parent of the Offeror

- (B) The Company was incorporated as an exempted company on 9 August 2006 in the Cayman Islands under the Companies Law.
- (C) The authorized share capital of the Company as at the Latest Practicable Date was HK\$50,000,000 divided into 10,000,000,000 Shares of which 2,149,765,464 Shares were issued and fully paid, with the remainder being unissued.
- (D) the Offeror has proposed the privatization of the Company by way of the Scheme.
- The primary purpose of the Scheme is that all of the Scheme Shares should be cancelled and extinguished and that the Company should become wholly-owned by the Offeror.
 - On the Latest Practicable Date, 1,609,256,891 Shares were legally and/or beneficially owned by the Offeror and parties acting in concert with it as follows:

Name	Number of Shares
Offeror	1,587,355,634
Mr. Wu Kai-Yun (<i>Note 1</i>)	6,872,628
Mr. Wu Kai-Hsiung (<i>Note 2</i>)	3,927,216
Mr. Lin Wen-Chin (<i>Note 3</i>)	1,414,388
Ms. Wang Chia-Chen (<i>Note 4</i>)	2,590,862
Mr. Hwu, Shoou-Chyang (<i>Note 5</i>)	1,650,000
Ms. Chang, May-Yuan (<i>Note 6</i>)	380,000
Mr. Lin Wen-Chang (<i>Note 7</i>)	1,189,000
Mr. Shen Shian-Ho (<i>Note 8</i>)	3,877,163

Notes:

- Mr. Wu Kai-Yun, who is an executive Director, the chairman and president of TSMT Taiwan and the director of the Offeror, is acting in concert with the Offeror in relation to the Company.
- Mr. Wu Kai-Hsiung, who is the non-executive Director and the brother of Mr. Wu Kai-Yun, falls within the definition of class (2) of the persons acting in concert with the Offeror under the Takeovers Code.
- Mr. Lin Wen-Ching, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
- Ms. Wang Chia-Chen, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
- Mr. Hwu, Shoou-Chyang, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
- Ms. Chang, May-Yuan, who is an independent director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
- Mr. Lin Wen-Chang, who is a supervisor of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.

8. Mr. Shen Shian-Ho, who is a director of TSMT Taiwan, is acting in concert with the Offeror in relation to the Company.
3. Each of the parties acting in concert with the Offeror will procure that any Shares in respect of which they are beneficially interested will not be represented or voted at the meeting convened at the direction of the Cayman Islands Grand Court for the purpose of considering and, if thought fit, approving the Scheme.
4. The Offeror has undertaken to the Cayman Islands Grand Court to be bound by the Scheme, and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME

PART I

Cancellation of the Scheme Shares

1. On the Effective Date:
 - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to the Offeror the same number of Shares as the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(a) above in paying up in full at par the new Shares issued to the Offeror, credited as fully paid.

PART II

Consideration for the cancellation and extinguishment of the Scheme Shares

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to each Scheme Shareholder the Cancellation Price.

PART III

General

3. (a) As soon as possible and in any event not later than seven (7) Business Days after the Effective Date, the Offeror shall send or cause to be sent to Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to Clause 2 of this Scheme.

- (b) Unless otherwise indicated in writing to the branch share registrar of the Company in Hong Kong, being Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, all such cheques shall be sent by post in pre-paid envelopes addressed to such Scheme Shareholders at their respective addresses as appearing on the Register at 4:00 p.m. on the Record Date or, in the case of joint holders, at the address as appearing on the Register at 4:00 p.m. on the Record Date of the joint holder whose name then stands first in the Register in respect of the relevant joint holding.
 - (c) Cheques shall be posted at the risk of the addressee and neither the Offeror nor the Company shall be responsible for any loss or delay in the transmission of the same.
 - (d) Each cheque shall be payable to the order of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the monies represented thereby.
 - (e) On or after the day being six (6) calendar months after the posting of the cheque pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or that has been returned uncashed and shall place all monies represented thereby in a deposit account of the Offeror with a licensed bank of Hong Kong selected by the Company. The Offeror shall hold such monies on trust for those entitled to it under the terms of this Scheme until the expiration of six (6) years from the Effective Date and shall, prior to such date, make payments thereout of the sums payable pursuant to Clause 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been cashed. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiration of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme.
 - (g) Paragraph (f) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
 - (h) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.
4. Each instrument of transfer and certificate existing at 4:00 p.m. on the Record Date in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of the Offeror to deliver up the same to the Offeror for the cancellation thereof.

5. All mandates or relevant instructions to the Company in force at 4:00 p.m. on the Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.
6. This Scheme shall become effective as soon as a copy of the order of the Cayman Islands Grand Court sanctioning this Scheme under Section 86 of the Companies Law has been registered by the Registrar of Companies in the Cayman Islands.
7. Unless this Scheme shall have become effective on or before 31 August 2014, or such later dates as the Company and the Offeror may agree, or as the Cayman Islands Grand Court, on application of the Company and/or the Offeror may allow, this Scheme shall lapse.
8. The Company and the Offeror may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition that the Cayman Islands Grand Court may think fit to approve or impose.
9. All costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, all costs, charges and expenses of the advisers and counsels appointed by Offeror will be borne by the Offeror, and other costs, charges and expenses of this Scheme will be shared between the Offeror and the Company equally.

19 June 2014

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

Cause No. 48 of 2014 (AHJ)

IN THE MATTER OF SECTIONS 15 AND 86 OF THE COMPANIES LAW (2013 REVISION)

AND IN THE MATTER OF THE GRAND COURT RULE, ORDER 102

AND IN THE MATTER OF REGENT MANNER INTERNATIONAL HOLDINGS LIMITED

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order to be dated on or around 17 June 2014 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between Regent Manner International Holdings Limited (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Friday, 18 July 2014 at 9:00 a.m. at which place and time all Scheme Shareholders are requested to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the composite scheme document of which this Notice forms part. A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 19 June 2014 despatched to members of the Company on Thursday, 19 June 2014.

In the case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case

may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding, the first named shareholder being the senior.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company in Hong Kong at Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 9:00 a.m. on Wednesday, 16 July 2014, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting.

By the Order, the Court has appointed TSENG Yu-Ling, a director of the Company, or failing her, HAN Min, also a director of the Company, or failing her, any other person who is a director of the Company as at the date of the Court Meeting, to act as the chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By Order of the Court
Regent Manner International Holdings Limited

Dated 19 June 2014

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
Central
Hong Kong



Regent Manner International Holdings Limited

峻凌國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1997)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Regent Manner International Holdings Limited (the “**Company**”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Central, Hong Kong on Friday, 18 July 2014 at 10:00 a.m. (or as soon thereafter as the meeting of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place has been concluded and adjourned) to consider and, if thought fit, pass the following resolutions:

SPECIAL RESOLUTION

“**THAT:** for the purposes of giving effect to the scheme of arrangement dated 19 June 2014 (the “**Scheme of Arrangement**”) between the Company and the holders of Scheme Shares (as defined in the Scheme of Arrangement), on the Effective Date (as defined in the Scheme of Arrangement):

- (i) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme of Arrangement); and
- (ii) the directors of the Company be and are hereby authorized to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of or addition to, the Scheme of Arrangement, which the Grand Court of the Cayman Islands may see fit to impose.”

ORDINARY RESOLUTION

“**THAT:** (i) subject to and forthwith upon such reduction of share capital taking effect, the issued share capital of the Company shall be increased to its former amount by the allotment and issue of the same number of ordinary shares of HK\$0.005 each in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished; and

(ii) the Company shall apply the credit arising in its books of account as a result of such capital reduction in paying up in full at par the new ordinary shares of HK\$0.005 each in the capital of the Company issued as aforesaid, credited as fully paid, to Taiwan Surface Mounting Technology (B.V.I.) Co. Limited.”

By order of the Board
Regent Manner International Holdings Limited
Chan Lai Yi
Company Secretary

Hong Kong, 19 June 2014

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
Central
Hong Kong

Notes:

1. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member.
2. A white form of proxy for use at the meeting is enclosed with the Scheme Document containing the Scheme of Arrangement dated 19 June 2014 despatched to members of the Company.
3. The white form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in the white form of proxy proposes to vote and in default the white form of proxy shall not be treated as valid. Delivery of the white form of proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and in such event his form of proxy shall be deemed to be revoked.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register. Several executors or administrators of a deceased member in whose name any share stands shall for such purpose be deemed joint holders thereof.

As at the date of this notice, the executive directors of the Company are Mr. Wu Kai-Yun, Ms. Tseng Yu-Ling and Ms. Han Min, the non-executive director of the Company is Mr. Wu Kai-Hsiung and the independent non-executive directors of the Company are Mr. Kwok Kwan Hung, Ms. Hsu Wey-Tyng and Ms. Lin Yen-Yu.

The following is a sample of the Option Offer Letter being sent to the Optionholders in connection with the Option Offer.

**Taiwan Surface Mounting
Technology (B.V.I.) Co. Limited**
*(incorporated in the British Virgin
Islands with limited liability)*



Regent Manner International Holdings Limited
峻凌國際控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1997)

19 June 2014

To the Optionholders

Dear Sirs and Madam,

**OPTION OFFER LETTER IN RELATION TO
PROPOSED PRIVATIZATION OF
REGENT MANNER INTERNATIONAL HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE CAYMAN ISLANDS COMPANIES LAW)**

A scheme document (the “**Scheme Document**”) dated the same date as this letter issued jointly by Taiwan Surface Mounting Technology (B.V.I.) Co. Limited (the “**Offeror**”) and Regent Manner International Holdings Limited (the “**Company**”) is enclosed with this letter. Terms used but not defined in this letter shall have the same meanings as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

On 8 May 2014, the Offeror and the Company jointly announced that on 29 April 2014, the Offeror had requested the Board to put forward a proposal to the Scheme Shareholders regarding a proposed privatization of the Company by way of a scheme of arrangement under Section 86 of the Cayman Islands Companies Law involving cancellation of all the Scheme Shares and allotment and issue of new Shares to the Offeror.

As stated in the Announcement, as part of the Proposal, the Offeror will make a comparable cash offer to the Optionholders to cancel their outstanding Options, subject to the Scheme becoming effective.

This letter explains the actions you may take in relation to your outstanding Options. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the Share Option Scheme.

TERMS OF THE OPTION OFFER

The Option Offer is conditional on the Scheme becoming effective and its terms are as follows:

Any outstanding Options, to the extent not exercised on or prior to the Latest Option Exercise Date, will lapse within fourteen (14) days after the Scheme becoming effective. You may accept the Option Offer by lodging a completed form of acceptance in respect of the Option Offer (“**Form of Acceptance**”) by the prescribed deadline and, if the Option Offer becomes unconditional, you will be entitled to receive a cash consideration of HK\$0.39 (the “**Option Offer Price**”) for each Option.

The Option Offer Price represents the “see-through” price of the outstanding Option, being the amount calculated by deducting the exercise price per Share payable on exercise of the Option of HK\$1.41 per Share from the cash consideration in the amount of HK\$1.80 per Scheme Share.

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer will become unconditional immediately upon the Scheme becoming effective and prior to the Company being de-listed from the Stock Exchange. The Conditions of the Proposal are set out in the paragraph headed “2. Terms of the Proposal – Conditions of the Proposal” in Part VII of the Scheme Document. In addition, all payments in respect of the Option Offer Price will be made by cheques in Hong Kong dollars. You may face delays or obstacles in changing Hong Kong dollars to other currency or cashing such cheques in certain locations or situations.

You are further advised to refer to the paragraphs headed “16. Registration and payment” and “17. Overseas Shareholders and Optionholder(s)” in Part VII of the Scheme Document.

COURSES OF ACTION AVAILABLE TO OPTIONHOLDERS

In summary, the choices available to you in respect of your outstanding Options are:

- (a) to the extent any of your outstanding Share Options is not exercised on or prior to the Latest Option Exercise Date, you may accept the Option Offer in accordance with its terms, as set out in this letter and in the Scheme Document and elect on the enclosed Form of Acceptance, by not later than 4:00 p.m. (Hong Kong time) on Tuesday, 19 August 2014 (or such later time and/or date as may be notified to you through announcement(s)), to receive the Option Offer Price if the Scheme becomes effective;
- (b) you may in accordance with the terms of the Share Option Scheme exercise all or any of your outstanding Options (to the extent not already exercised) to its full extent or to the extent specified in your notice of exercise of Options to the Company at any time after the date of this letter (being 19 June 2014) and up to the Latest Option Exercise Date. Any Shares issued as a result of the exercise of such outstanding Options as mentioned above will be subject to and eligible to participate in the Scheme. Please refer to the Scheme Document for details of the Proposal and the Scheme in this regard; or

- (c) do nothing, in which case, if the Scheme becomes effective, your unexercised outstanding Options will lapse automatically within fourteen (14) days after the Effective Date and you will receive neither the Option Offer Price nor the Cancellation Price.

Each outstanding Option you hold is independent and you should make a separate decision for each one.

For further details, please refer to the remaining paragraphs of this letter, the Scheme Document and the terms of the Share Option Scheme.

ACTIONS TO BE TAKEN

In order to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror, care of the Company at 20th Floor, No. 168 Queen's Road Central, Central, Hong Kong, for the attention of the board of the Offeror and marked "Regent Manner – Option Offer" by no later than 4:00 p.m. (Hong Kong time) on Tuesday, 19 August 2014 (or such later time and/or date as may be notified to you through announcement(s)). If you do not complete a Form of Acceptance, subject to and conditional upon the Scheme becoming effective, your Options will lapse.

Before forwarding the Form of Acceptance to the board of the Offeror, please ensure that you have signed the Form of Acceptance and that your signature has been witnessed.

Assuming the Option Offer becomes unconditional on Tuesday, 5 August 2014 (Cayman Islands time), cheques for the Option Offer Price are expected to be despatched within 7 business days following the later of the Effective Date and the date of receipt of the duly completed Form of Acceptance by the Offeror.

No acknowledgment of receipt of any Form of Acceptance or other documents will be given.

OUTSTANDING OPTIONS HELD AS AT THE LATEST PRACTICABLE DATE

Information on the outstanding Options held by you as at the Latest Practicable Date is available from the company secretary of the Company. If there is any exercise of your outstanding Options after the Latest Practicable Date, you may accept the Option Offer only in respect of such outstanding Options which remain unexercised as at the Latest Option Exercise Date.

LAPSED SHARE OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Option which lapses, will lapse, or has already lapsed, under the terms of the Share Option Scheme. You cannot exercise or accept the Option Offer in respect of a Option which has lapsed in accordance with its terms.

RECOMMENDATIONS OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the Optionholders set out in Part V of the Scheme Document and the letter from the Independent Financial Adviser to the Independent Board Committee in Part VI of the Scheme Document, which contain the recommendations of the Independent Board Committee and the Independent Financial Adviser, respectively, in relation to the Scheme and the Option Offer.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

DECLARATION

By signing and returning the Form of Acceptance, you thereby:

- (a) confirm that each Option in respect of which you make an election is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Option shall become void once that Option has been cancelled as a result of your acceptance of the Option Offer pursuant to your decisions shown on the Form of Acceptance;
- (b) confirm that the decisions which you have made on the Form of Acceptance cannot be withdrawn or altered;
- (c) authorize the Offeror, the Company and/or such person or persons as any of them may direct to do all acts and things and to complete, amend and execute any document on your behalf as may be necessary or desirable to give effect to or in connection with the acceptance you have made on the Form of Acceptance, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance;
- (d) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney appointed by or pursuant to this letter and the Form of Acceptance; and
- (e) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including without limitation those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received the Scheme Document and this letter.

GENERAL

- (a) All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from the Optionholder(s) will be delivered by or sent to or from them, or their designated agents, at their risk, and none of the Offeror or the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.
- (c) The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (d) Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to the Offeror and/or such person or persons as any of them may direct to complete and execute on behalf of the accepting Optionholder, the Form of Acceptance and any document and to do any other act that may be necessary or expedient for the purpose of cancelling, or vesting in the Offeror or such person(s) as the Offeror shall direct, all rights of the Optionholders in respect of the outstanding Share Options which are the subject of such acceptance.
- (e) The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the Form of Acceptance and this letter, including the date specified for receipt.
- (f) By completing the Form of Acceptance in respect of a particular outstanding Option, you irrevocably and at your own risk elect to authorise the Offeror and/or its agent(s) to send to you (or to any other payee you specify in the Form of Acceptance), or procure the sending to you (or to any such payee) of, the cash to which you are entitled.

RESPONSIBILITY STATEMENTS

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than that relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this letter (other than that relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this letter (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this letter, the omission of which would make any statement in this letter misleading.

Yours faithfully,
By order of the Board
Taiwan Surface Mounting Technology
(B.V.I.) Co. Limited
Wu Kai-Yun
Sole director

Yours faithfully,
By order of the Board
Regent Manner International Holdings
Limited
Tseng Yu-Ling
Executive Director