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PacMOS Technologies Holdings Limited

(弘茂科技控股有限公司) *

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors of PacMOS Technologies Holdings Limited (the “Company”) are pleased to announce the annual results of the Company and its subsidiaries (collectively referred hereafter as the “Group”) for the year ended 31 December 2010.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,053	2,061
Intangible assets		426	65
Long-term deposits		1,427	1,630
		<hr/>	<hr/>
		3,906	3,756
Current assets			
Inventories		20,207	16,060
Trade receivables	4	9,016	9,771
Deposits, prepayments and other receivables		3,381	1,425
Financial assets at fair value through profit or loss	5	53,818	23,494
Restricted cash	6	275	249
Short-term bank deposits	7	34,843	49,370
Cash and cash equivalents	7	32,418	30,632
		<hr/>	<hr/>
		153,958	131,001
Total assets		<hr/> 157,864 <hr/>	<hr/> 134,757 <hr/>

* *For identification purpose only*

		As at 31 December	
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		134,922	134,922
Other reserves		9,081	7,615
Accumulated losses		<u>(40,714)</u>	<u>(58,493)</u>
		<u>103,289</u>	<u>84,044</u>
Non-controlling interest		<u>35,688</u>	<u>35,155</u>
Total equity		<u>138,977</u>	<u>119,199</u>
LIABILITIES			
Non-current liabilities			
Other payables		<u>520</u>	<u>1,241</u>
Current liabilities			
Trade payables	8	4,608	5,494
Other payables and accruals		9,947	5,199
Amount due to related parties		<u>3,812</u>	<u>3,624</u>
		<u>18,367</u>	<u>14,317</u>
Total liabilities		<u>18,887</u>	<u>15,558</u>
Total equity and liabilities		<u>157,864</u>	<u>134,757</u>
Net current assets		<u>135,591</u>	<u>116,684</u>
Total assets less current liabilities		<u>139,497</u>	<u>120,440</u>

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	<i>Note</i>	2010	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		86,689	67,304
Cost of sales	9	<u>(61,588)</u>	<u>(49,763)</u>
Gross profit		25,101	17,541
Distribution costs	9	(3,842)	(4,148)
General and administrative expenses	9	(35,928)	(30,860)
Other income		1,531	2,079
Other gains, net	10	<u>25,163</u>	<u>12,241</u>
Profit/(loss) before income tax		12,025	(3,147)
Income tax (expense)/credit	12	<u>(45)</u>	<u>329</u>
Profit/(loss) for the year		<u>11,980</u>	<u>(2,818)</u>
Attributable to:			
Equity holders of the Company		14,890	350
Non-controlling interest		<u>(2,910)</u>	<u>(3,168)</u>
		<u>11,980</u>	<u>(2,818)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to the equity holders of the Company — basic and diluted	11	<u>4.42</u>	<u>0.10</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	11,980	(2,818)
Other comprehensive income		
Currency translation differences	<u>7,798</u>	<u>901</u>
Total comprehensive income/(loss) for the year	<u>19,778</u>	<u>(1,917)</u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	<u>19,245</u>	<u>(433)</u>
Non-controlling interest	<u>533</u>	<u>(1,484)</u>
	<u>19,778</u>	<u>(1,917)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total Non-controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>	
Balance at 1 January 2009	33,659	101,263	2,628	2,889	2,882	(58,843)	84,478	36,638	121,116
Currency translation differences	—	—	516	—	—	—	516	385	901
Profit/(loss) for the year	—	—	—	—	—	350	350	(3,168)	(2,818)
Total comprehensive income/(loss) for the year	—	—	516	—	—	350	866	(2,783)	(1,917)
Allocation of statutory reserve to non-controlling interest	—	—	—	—	(1,300)	—	(1,300)	1,300	—
Balance at 31 December 2009	<u>33,659</u>	<u>101,263</u>	<u>3,144</u>	<u>2,889</u>	<u>1,582</u>	<u>(58,493)</u>	<u>84,044</u>	<u>35,155</u>	<u>119,199</u>
Balance at 1 January 2010	<u>33,659</u>	<u>101,263</u>	<u>3,144</u>	<u>2,889</u>	<u>1,582</u>	<u>(58,493)</u>	<u>84,044</u>	<u>35,155</u>	<u>119,199</u>
Currency translation differences	—	—	4,355	—	—	—	4,355	3,443	7,798
Profit/(loss) for the year	—	—	—	—	—	14,890	14,890	(2,910)	11,980
Total comprehensive income for the year	—	—	4,355	—	—	14,890	19,245	533	19,778
Share options expired	—	—	—	(2,889)	—	2,889	—	—	—
Balance at 31 December 2010	<u>33,659</u>	<u>101,263</u>	<u>7,499</u>	<u>—</u>	<u>1,582</u>	<u>(40,714)</u>	<u>103,289</u>	<u>35,688</u>	<u>138,977</u>

1. General information

PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the design and distribution of integrated circuits and semi-conductor parts in Taiwan and the People’s Republic of China (the “PRC”) and investments holding. The Company has its listing on The Stock Exchange of Hong Kong Limited.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is 2905-10, Dah Sing Financial Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2011.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

3. Segment information

The Group is principally engaged in the design, distribution and trading of integrated circuits and semi-conductor parts in Taiwan and the PRC, and investments holding.

For management purpose, the Group is organised into three main operations:

- (i) corporate administration and investment functions performed by the Hong Kong headquarters;
- (ii) design and sales of micro-controller units used in a wide range of electronic products conducted through the Group’s subsidiary in Taiwan; and
- (iii) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group’s subsidiary in the PRC.

These operating segments are the basis on which the Group reports its primary segment information to the chief operating decision maker who is the Chairman of the Board.

The chief operating decision maker assesses the performance of the operating segments based on a measure of revenue, operating profit and net profit.

	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2010				
Revenues from external customers	—	75,658	11,031	86,689
Operating profit/(loss)	17,429	(6,908)	230	10,751
Bank interest income	760	442	72	1,274
Profit/(loss) before income tax	18,189	(6,466)	302	12,025
Income tax expense	—	—	(45)	(45)
Profit/(loss) for the year	18,189	(6,466)	257	11,980
Other gains/(losses) — net, included in profit/(loss) for the year	27,071	(1,892)	(16)	25,163
Depreciation and amortisation, included in profit/(loss) for the year	129	594	157	880
Capital expenditures	27	901	147	1,075
As at 31 December 2010				
Segment assets	59,457	88,465	9,942	157,864
Segment liabilities	(3,580)	(9,288)	(6,019)	(18,887)

	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2009				
Revenues from external customers	—	59,570	7,734	67,304
Operating profit/(loss)	6,694	(8,175)	(2,567)	(4,048)
Bank interest income	2	805	94	901
Profit/(loss) before income tax	6,696	(7,370)	(2,473)	(3,147)
Income tax credit	—	329	—	329
Profit/(loss) for the year	<u>6,696</u>	<u>(7,041)</u>	<u>(2,473)</u>	<u>(2,818)</u>
Other gains/(losses) — net, included in profit/(loss) for the year	13,205	(960)	(4)	12,241
Depreciation and amortisation, included in profit/(loss) for the year	(270)	(618)	(145)	(1,033)
Capital expenditures	158	8	210	376
As at 31 December 2009				
Segment assets	<u>39,188</u>	<u>86,512</u>	<u>9,057</u>	<u>134,757</u>
Segment liabilities	<u>(1,629)</u>	<u>(8,391)</u>	<u>(5,538)</u>	<u>(15,558)</u>

For the year ended 31 December 2010, revenues of approximately HK\$29,364,000 (for the year ended 31 December 2009: HK\$26,398,000) are derived from a single external customer. These revenues are attributable to the Taiwan segment.

4. Trade receivables

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	9,016	9,771
Less: provision for impairment of receivables	—	—
Trade receivables, net	<u>9,016</u>	<u>9,771</u>

As at 31 December 2010, none of the trade receivables was past due (2009: same). These were related to a number of customers with no history of default and they are in continuous trading with the Group. Based on past experience, management believes that no impairment provision was necessary in respect of these balances as there has not been a significant change in credit quality of these customers.

The ageing analysis of trade receivables based on due date is as follows:

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current	9,016	9,771
1 — 30 days	—	—
	9,016	9,771
Denominated in:		
— US\$	7,784	7,667
— NTD	1,232	2,104
	9,016	9,771

The carrying values of trade receivables approximate their fair values as at 31 December 2010 (2009: same).

The maximum exposure to credit risk at the balance sheet date is the carrying value of trade receivables disclosed above.

5. Financial assets at fair value through profit or loss

	Group		Company	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Listed equity securities in				
— The United States of America	34,268	17,772	34,268	17,772
— Hong Kong	890	5,722	—	—
Market value of listed securities	35,158	23,494	34,268	17,772
Investment in unlisted securities	18,660	—	18,660	—
	53,818	23,494	52,928	17,772

Changes in fair value of the financial assets at fair value through profit or loss are recorded in “Other gains, net” in the consolidated income statement.

In March 2010, the Group acquired convertible bonds issued by ChipMOS Technologies (Bermuda) Ltd. (“ChipMOS”) with a principal amount of US\$1.5 million which were not traded on an active market. The convertible bonds carry interest at 8% per annum and the holders are entitled to convert all or part of the principal amount into ordinary shares of the issuer at a conversion price of US\$1.25 each, subject to anti-dilution adjustments, at any time before the tenth business day prior to 8 March 2015

(the “Maturity Date”) (“Discretionary Conversion”). In addition, at any time after the issuance date, if (i) the closing price of the ChipMOS shares exceeds 150% of the conversion price in effect for 20 consecutive trading days ending on the trading day immediately preceding the date on which ChipMOS delivers a written notice thereof to holder(s) of the convertible bonds; and (ii) the average daily trading volume of the ChipMOS shares over the aforementioned period equals or exceeds 0.1% of the then outstanding ChipMOS shares, ChipMOS shall have the right to elect to automatically convert some or all of the outstanding principal amount of the convertible bonds (“Compulsory Conversion”). Upon the Compulsory Conversion and/or the Discretionary Conversion, holders of the convertible bonds are entitled to receive the present value of the interest that would have accrued at an interest rate of 8% per annum with respect to the convertible bonds being converted for the period from the applicable date of conversion to the Maturity Date. ChipMOS can choose to pay the interest in cash or in shares of ChipMOS, or a combination of both. In addition, ChipMOS has the right to redeem the principal amount or any part of the outstanding principal amount at any time.

Any convertible bonds not converted before the Maturity Date will be redeemed at 100 per cent of its principal amount on the Maturity Date.

The convertible bonds were fair valued at 31 December 2010 by Vigers Appraisal & Consulting Limited, an independent firm of valuers not connected to the Group.

6. Restricted cash

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Restricted cash	<u>275</u>	<u>249</u>
Denominated in:		
— NTD	<u>275</u>	<u>249</u>

As at 31 December 2010, restricted cash represented bank deposits pledged to secure the payment of value added tax as required by the Taiwan Tax Bureau. The amount carried an effective interest rate of 0.7% per annum (2009: 1.7% per annum).

7. Cash and cash equivalents and short-term bank deposits

	Group		Company	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cash at bank	14,364	23,558	1,861	7,084
Term deposits with original maturities of three months or less	17,901	6,926	54	54
Cash on hand	153	148	4	—
Cash and cash equivalents	<u>32,418</u>	<u>30,632</u>	<u>1,919</u>	<u>7,138</u>
Short-term bank deposits with original maturities of over three months	<u>34,843</u>	<u>49,370</u>	<u>—</u>	<u>—</u>
Total	<u><u>67,261</u></u>	<u><u>80,002</u></u>	<u><u>1,919</u></u>	<u><u>7,138</u></u>
Denominated in:				
— HK\$	2,371	13,838	1,865	7,084
— US\$	22,058	24,249	54	54
— NTD	36,905	35,962	—	—
— RMB (<i>Note b</i>)	5,927	5,953	—	—
	<u>67,261</u>	<u>80,002</u>	<u>1,919</u>	<u>7,138</u>

Note:

- (a) The effective interest rate on term deposits was 1.06% (2009: 0.80%).
- (b) At 31 December 2010, funds of the Group amounting to RMB5,897,000 are kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2009: RMB5,202,000).

8. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current	<u>4,608</u>	<u>5,494</u>

The carrying amounts of trade payables approximate their fair values as at 31 December 2010 (2009: same).

9. Expenses by nature

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of inventories sold	59,159	47,115
Amortisation of intangible assets	208	149
Auditors' remuneration	1,438	1,323
Depreciation of property, plant and equipment	672	884
Operating lease rentals in respect of properties	4,278	4,083
Provision for inventories	108	13
Research and development costs	4,146	747
Marketing costs	1,484	2,054
Employee benefit expenses	22,903	21,276
Other expenses	6,962	7,127
	<u>101,358</u>	<u>84,771</u>

10. Other gains, net

Other gains recognised during the year are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
— realised gains/(losses)	2,001	—
— unrealised fair value gains/(losses)	24,994	13,206
Exchange loss, net	<u>(1,832)</u>	<u>(965)</u>
Other gains, net	<u>25,163</u>	<u>12,241</u>

11. Earnings per share

(a) Basic

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the consolidated profit attributable to the equity holders of the Company of approximately HK\$14,890,000 (2009: net profit of HK\$350,000) and 336,587,142 shares (2009: 336,587,142 shares) in issue during the year.

(b) Diluted

The Company has no share option schemes. The Company's subsidiary had employee share options but had been expired since 1 January 2010. For the year ended 31 December 2009, these employee share options did not have a dilutive effect on earnings per share of the Company while they were still outstanding.

12. Income tax expense/(credit)

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current income tax		
— Overseas income tax expense	45	—
— Refund of dividend withholding tax	—	(329)
	<u>45</u>	<u>(329)</u>

RESULTS

For the year ended 31 December 2010, the Group achieved a turnover of approximately HK\$86.7 million, as compared to that of last year of approximately HK\$67.3 million. The profit attributable to equity holders of the Company amounted to approximately HK\$14.9 million, as compared to that of last year of approximately HK\$0.35 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2010.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

With improvement in worldwide economic environment, the main business of the Group has been recovering gradually during the year. The turnover of the Group improved to approximately HK\$86.7 million for the year ended 31 December 2010 as compared to that of approximately HK\$67.3 million for the year ended 31 December 2009. The Group recorded a gross profit of approximately HK\$25.1 million as compared to approximately HK\$17.5 million for the year ended 31 December 2009.

For the year ended 31 December 2010, the turnover of the Group's operation in Taiwan increased to approximately HK\$75.7 million as compared to approximately HK\$59.6 million last year. It recorded a gross profit of approximately HK\$17.9 million as compared to approximately HK\$12.8 million last year. Due to the continuing soft customers demand and weak United States Dollars, the operation in Taiwan recorded a net loss of approximately HK\$6.5 million for the current year under review as compared to approximately HK\$7.0 million for the last year.

The operation in Shanghai recorded a turnover of approximately HK\$11.0 million for the year ended 31 December 2010 as compared to approximately HK\$7.7 million for the year ended 31 December 2009. The operation in Shanghai recorded a gross profit of approximately HK\$7.2 million for the current year as compared to approximately HK\$4.7 million for the year ended 31 December 2009. The operation recorded a net profit of approximately HK\$0.3 million for the current year under review as compared to a net loss of approximately HK\$2.5 million for the last year.

Investment holding

As at 31 December 2010, the Company held approximately 2.9 million shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

As at 31 December 2010, the closing market price of ChipMOS was US\$1.53 as compared to US\$0.71 as at 31 December 2009. Consequently, an unrealized gain of approximately HK\$18.1 million was recorded due to mark-to-market valuation of the shares for the year under review.

On 18 December 2009, the Company and ChipMOS entered into a purchase agreement, that the Company would acquire a convertible bond to be issued by ChipMOS with a principal amount of US\$1.5 million. On 9 February 2010, a special shareholders’ meeting of the Company was convened to approve the purchase agreement and the transaction was completed on 8 March 2010. The convertible bond purchased is recorded by the Company as a financial asset at fair value through profit or loss. The valuation of the convertible bond as at 31 December 2010 was approximately US\$2.4 million with an unrealised gain recognised to income statement of approximately HK\$7.0 million for the year ended 31 December 2010.

FUTURE PLANS AND PROSPECTS

We shall continue to focus our efforts on our current main business in design and distribution of integrated circuit products. Research and development works to improve our existing products and developing new products will continue in order to strengthen our competitive edge in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The cash and cash equivalents of the Group amounted to approximately HK\$32.4 million as at 31 December 2010 as compared to approximately HK\$30.6 million as at 31 December 2009. As at 31 December 2010, the Group also held short-term bank deposits of approximately HK\$34.8 million (2009: approximately HK\$49.4 million)

For the year ended 31 December 2010, the Group recorded a net increase in cash and cash equivalents of HK\$1.8 million.

Gearing ratio

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 12.0% as at 31 December 2010 (2009: approximately 11.5%). The Group did not employ any bank financing during the year, and no interest expenses was incurred. As at 31 December 2010, the total liabilities of the Group were approximately HK\$18.9 million (2009: approximately HK\$15.6 million).

Foreign currency exposure

The Group has overseas operations in PRC and Taiwan, it is therefore exposed to exchange fluctuations of Renminbi and New Taiwan dollar.

For the year ended 31 December 2010, a net exchange loss of approximately HK\$1.8 million (2009: exchange loss of approximately HK\$1.0 million) was recognised in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK\$4.3 million were credited to exchange reserve.

Capital structure

The profit attributable to shareholders for the year ended 31 December 2010 of approximately HK\$14.9 million was transferred to accumulated losses of the Company. There was no change in the capital of the Company for the year under review. As at 31 December 2010, the shareholders' fund amounted to approximately HK\$103.3 million (2009: approximately HK\$84.0 million).

Investments and capital assets

In December 2009, the Company announced that it would invest US\$1.5 million in a 5-year convertible bond issued by ChipMOS with an interest income of 8% per annum and has a conversion price of US\$1.25 per share of ChipMOS. A special shareholders' meeting was held on 9 February 2010 for the approval of the transaction. The transaction was completed on 8 March 2010. If the convertible bond is fully converted, the Company will obtain additional 1,200,000 shares of ChipMOS. No conversion was made during the year.

As at 31 December 2010, the Company held approximately 2.9 million shares of ChipMOS. The closing market price of ChipMOS was US\$1.53 per share as at 31 December 2010. During the year, the Company sold approximately 400,000 shares of ChipMOS at selling prices between US\$1.28 to US\$1.60 with a net proceeds of approximately HK\$4.5 million and a realised gain of approximately HK\$2.3 million.

On 21 January 2011, ChipMOS implemented a 4-to-1 reverse stock split that every four shares of ChipMOS were combined as one new share of ChipMOS. On 14 March 2011, the closing market price of ChipMOS was US\$8.22.

During the year ended 31 December 2010, the Group also sold shares of Hong Kong listed companies amounted to approximately HK\$4.4 million.

Charges on assets

As at 31 December 2010, restricted cash amounted to approximately HK\$0.3 million (2009: approximately HK\$0.2 million) which were mainly for the purpose of securing payment of value added tax.

Segment information

For the year ended 31 December 2010, approximately 87% of turnover of the Group was generated from the Group's operation in Taiwan. The Taiwan operation recorded a loss of approximately HK\$6.5 million (2009: loss of approximately HK\$7.0 million), while the operation in Shanghai recorded a profit of approximately HK\$0.3 million (2009: loss of approximately HK\$2.5 million).

Human resources

The headcount of the Group as at 31 December 2010 was approximately 90 (2009: approximately 84).

The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

Contingent liabilities

No material contingent liabilities of the Group were noted as at 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

During the year, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except the following deviations:

Code A.4.1

This Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The Independent Non-executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company. At every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the nearest but no less than one-third shall retire from office by rotation and every Director shall be subject to retirement by rotation at least once every three years.

Code A.4.2

This Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election by shareholders at the meeting but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting in accordance with the bye-laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2010, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive directors, namely Messrs. Wong Chi Keung (Chairman), Cheng Hok Ming, Albert and Ma Kwai Yuen. Its primary responsibilities include reviewing and supervising the Company's financial reporting process and internal control systems. The Audit Committee and the management have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2010.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 15 March 2011

Compositions of the Board of Directors as at 15 March 2011

Executive directors:

Mr. Yip Chi Hung

Mr. Chen Che Yuan

Independent non-executive directors:

Mr. Wong Chi Keung

Mr. Cheng Hok Ming, Albert

Mr. Ma Kwai Yuen