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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 2012

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 2012.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2012	2011
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,084	2,153
Intangible assets		—	—
Long-term deposits		—	1,138
		<u>2,084</u>	<u>3,291</u>
Current assets			
Inventories		3,525	2,540
Trade and bills receivables	4	1,379	1,435
Deposits, prepayments and other receivables		3,029	1,133
Financial assets at fair value through profit or loss	5	80,072	37,330
Cash and cash equivalents	6	47,490	29,837
		<u>135,495</u>	<u>72,275</u>
Assets of a subsidiary classified as held for sale	7(a)	—	42,609
		<u>135,495</u>	<u>114,884</u>
Total assets		<u><u>137,579</u></u>	<u><u>118,175</u></u>

* For identification purpose only

		As at 31 December	
		2012	2011
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		134,922	134,922
Other reserves		1,069	7,090
Accumulated losses		(6,055)	(59,789)
		<u>129,936</u>	<u>82,223</u>
Non-controlling interests		<u>—</u>	<u>14,669</u>
Total equity		<u>129,936</u>	<u>96,892</u>
LIABILITIES			
Non-current liabilities			
Other payables		<u>714</u>	<u>973</u>
Current liabilities			
Trade payables	8	42	149
Other payables and accruals		3,294	6,595
Amount due to a related party		3,593	3,555
		<u>6,929</u>	<u>10,299</u>
Liabilities of a subsidiary classified as held for sale	7(b)	<u>—</u>	<u>10,011</u>
		<u>6,929</u>	<u>20,310</u>
Total liabilities		<u>7,643</u>	<u>21,283</u>
Total equity and liabilities		<u>137,579</u>	<u>118,175</u>
Net current assets		<u>128,566</u>	<u>94,574</u>
Total assets less current liabilities		<u>130,650</u>	<u>97,865</u>

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2012	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	3	10,916	12,436
Cost of sales	9	<u>(3,410)</u>	<u>(3,962)</u>
Gross profit		7,506	8,474
Distribution costs	9	(24)	(25)
General and administrative expenses	9	(17,356)	(19,625)
Other income	10	1,647	782
Other gains/(losses), net	12	<u>46,815</u>	<u>(6,291)</u>
Profit/(loss) before income tax		38,588	(16,685)
Income tax credit/(expense)	11	<u>28</u>	<u>(144)</u>
Profit/(loss) for the year from continuing operations		38,616	(16,829)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	7(d)	<u>13,047</u>	<u>(4,085)</u>
Profit/(loss) for the year		<u>51,663</u>	<u>(20,914)</u>
Attributable to:			
Equity holders of the Company		52,152	(19,075)
Non-controlling interests		<u>(489)</u>	<u>(1,839)</u>
		<u>51,663</u>	<u>(20,914)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company — basic and diluted			
	13		
From continuing operations		11.47	(5.00)
From discontinued operations		<u>4.02</u>	<u>(0.67)</u>
		<u>15.49</u>	<u>(5.67)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	51,663	(20,914)
Other comprehensive income/(loss)		
Currency translation differences	294	(5,095)
Release of reserves upon disposal of a subsidiary (<i>note 7</i>)	<u>(4,625)</u>	<u>—</u>
Total comprehensive income/(loss) for the year	<u>47,332</u>	<u>(26,009)</u>
Total comprehensive income/(loss) for the year attributable to:		
Equity holders of the Company	47,713	(21,066)
Non-controlling interests	<u>(381)</u>	<u>(4,943)</u>
Total comprehensive income/(loss) for the year	<u>47,332</u>	<u>(26,009)</u>
Total comprehensive income/(loss) attributable to equity holders of the Company arise from:		
Continuing operations	38,669	(15,025)
Discontinued operations	<u>9,044</u>	<u>(6,041)</u>
	<u>47,713</u>	<u>(21,066)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Attributable to equity holders of the Company				Total	Non- controlling interests	Total equity
	Share capital	Exchange reserve	Statutory reserve	Accumulated losses			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2011	134,922	7,499	1,582	(40,714)	103,289	35,688	138,977
Loss for the year	—	—	—	(19,075)	(19,075)	(1,839)	(20,914)
Currency translation differences	—	(1,991)	—	—	(1,991)	(3,104)	(5,095)
Total comprehensive loss for the year	—	(1,991)	—	(19,075)	(21,066)	(4,943)	(26,009)
Capital reduction in a subsidiary classified as held for sale (<i>Note 7</i>)	—	—	—	—	—	(16,076)	(16,076)
Balance at 31 December 2011	<u>134,922</u>	<u>5,508</u>	<u>1,582</u>	<u>(59,789)</u>	<u>82,223</u>	<u>14,669</u>	<u>96,892</u>
Balance at 1 January 2012	<u>134,922</u>	<u>5,508</u>	<u>1,582</u>	<u>(59,789)</u>	<u>82,223</u>	<u>14,669</u>	<u>96,892</u>
Profit for the year	—	—	—	52,152	52,152	(489)	51,663
Currency translation differences	—	186	—	—	186	108	294
Release of reserves upon disposal of a subsidiary (<i>Note 7</i>)	—	(4,625)	(1,582)	1,582	(4,625)	—	(4,625)
Total comprehensive income for the year	—	(4,439)	(1,582)	53,734	47,713	(381)	47,332
Disposal of a subsidiary (<i>Note 7</i>)	—	—	—	—	—	(14,288)	(14,288)
Balance at 31 December 2012	<u>134,922</u>	<u>1,069</u>	<u>—</u>	<u>(6,055)</u>	<u>129,936</u>	<u>—</u>	<u>129,936</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.

On 2 December 2011, the Group entered into an agreement with On-Bright Electronics Incorporated (“On-Bright”) to dispose of its entire equity interest in SyncMOS Technologies International Inc. (“SyncMOS Technologies”). The transaction was completed on 16 January 2012, and SyncMOS Technologies ceased to be a subsidiary of the Group thereafter. Further details are given in Note 7.

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business 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 7 March 2013.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) 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 People’s Republic of China (the “PRC”), and investments holding. The Group has ceased its operations in Taiwan following the disposal of SyncMOS Technologies in January 2012.

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, namely SyncMOS Technologies; and
- (iii) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group’s subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited.

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.

On 16 January 2012, the Group completed the disposal of its entire interest in SyncMOS Technologies and the results of SyncMOS Technologies have been presented as discontinued operations (Note 7).

	Continuing Operations			Discontinued Operations	
	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended					
31 December 2012					
Revenues from external customers	—	10,916	10,916	1,770	12,686
Operating profit/(loss)	38,544	(336)	38,208	(1,090)	37,118
Interest income	300	80	380	3	383
Profit/(loss) before income tax	38,844	(256)	38,588	(1,087)	37,501
Gain on disposal of a subsidiary	—	—	—	14,134	14,134
Income tax expense	—	28	28	—	28
Profit/(loss) for the year	38,844	(228)	38,616	13,047	51,663
Other gains/(losses) — net, included in results for the year	46,802	13	46,815	(16)	46,799
Depreciation and amortisation, included in results for the year	314	203	517	—	517
Capital expenditures	12	420	432	—	432
As at 31 December 2012					
Segment assets	128,102	9,477	137,579	—	137,579
Segment liabilities	(2,569)	(5,074)	(7,643)	—	(7,643)

	Continuing Operations			Discontinued Operations	Total <i>HK\$'000</i>
	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	
For the year ended 31 December 2011					
Revenues from external customers	<u>—</u>	<u>12,436</u>	<u>12,436</u>	<u>69,585</u>	<u>82,021</u>
Operating profit/(loss)	<u>(17,856)</u>	<u>806</u>	<u>(17,050)</u>	<u>(4,386)</u>	<u>(21,436)</u>
Interest income	<u>280</u>	<u>85</u>	<u>365</u>	<u>301</u>	<u>666</u>
Profit/(loss) before income tax	<u>(17,576)</u>	<u>891</u>	<u>(16,685)</u>	<u>(4,085)</u>	<u>(20,770)</u>
Income tax expense	<u>—</u>	<u>(144)</u>	<u>(144)</u>	<u>—</u>	<u>(144)</u>
Profit/(loss) for the year	<u>(17,576)</u>	<u>747</u>	<u>(16,829)</u>	<u>(4,085)</u>	<u>(20,914)</u>
Other gains/(losses) — net, included in results for the year	(6,262)	(29)	(6,291)	1,198	(5,093)
Depreciation and amortisation, included in results for the year	267	187	454	739	1,193
Capital expenditures	1,064	432	1,496	33	1,529
As at 31 December 2011					
Segment assets	<u>64,397</u>	<u>11,169</u>	<u>75,566</u>	<u>42,609</u>	<u>118,175</u>
Segment liabilities	<u>(4,783)</u>	<u>(6,489)</u>	<u>(11,272)</u>	<u>(10,011)</u>	<u>(21,283)</u>

Details of the customers accounting for 10% or more of total revenue from continuing operations are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Customer A	2,843	4,191
Customer B	2,324	2,501
Customer C	—	1,271
Customer D	1,307	—

For the year ended 31 December 2011, revenue of approximately HK\$28,269,000 was derived from a single external customer. This revenue was attributable to the Taiwan segment from the discontinued operations.

4. Trade and bills receivables

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	252	178
Bills receivables	1,127	1,257
Less: provision for impairment of receivables	—	—
	<u> </u>	<u> </u>
Trade and bills receivables, net	<u>1,379</u>	<u>1,435</u>

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	38	101
1 — 30 days	30	77
Over 30 days	184	—
	<u> </u>	<u> </u>
	<u>252</u>	<u>178</u>

The Group's credit terms to trade debtors range from 30 to 60 days.

As at 31 December 2012, bills receivables of HK\$1,127,000 (2011: HK\$1,257,000) will mature as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 — 30 days	38	62
31 — 90 days	528	—
91 — 180 days	561	579
Over 180 days	—	616
	<u> </u>	<u> </u>
	<u>1,127</u>	<u>1,257</u>

5. Financial assets at fair value through profit or loss

	Group	
	2012	2011
	HK\$'000	HK\$'000
Equity securities listed in		
— The United States of America	79,133	36,663
— Hong Kong	939	667
	<hr/>	<hr/>
Market value of listed securities	80,072	37,330
	<hr/> <hr/>	<hr/> <hr/>

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

The fair value of all equity securities is based on their current bid prices in an active market.

During the year ended 31 December 2011, certain convertible bonds were converted into the underlying shares, which were recorded in listed securities as included in the table above.

As at 31 December 2012, the carrying amount of the Group’s interests in the shares of ChipMOS Technologies (Bermuda) Ltd. represented 58% (31 December 2011: 31%) of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
ChipMOS Technologies (Bermuda) Ltd.	Bermuda	Provision of semiconductor testing and assembly services for Liquid Crystal Display (LCD) and other flat-panel display driver semiconductors	Issued capital of US\$1.3 million par value of US\$0.04 per share	879,919 common shares, representing 2.6% of issued share capital of ChipMOS

The quoted market price of ChipMOS as at 6 March 2013 was approximately US\$10.70.

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Cash at bank	15,936	29,776
Term deposits with original maturities of three months or less (<i>Note a</i>)	31,546	54
Cash on hand	8	7
	<hr/>	<hr/>
Cash and cash equivalents	47,490	29,837
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) As at 31 December 2012, the effective interest rate on term deposits was 1.21% (2011: 1.95%).
- (b) As at 31 December 2012, funds of the Group denominated in RMB amounting to HK\$2,528,000 were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2011: HK\$5,065,000).

7. Subsidiary held for sale and discontinued operations

The assets and liabilities related to SyncMOS Technologies have been presented as held for sale on 2 December 2011, following the Group entering into an agreement with On-Bright Electronics Incorporated to dispose of its entire equity interest in SyncMOS Technologies.

Prior to the disposal, SyncMOS Technologies underwent a capital reduction of NTD150 million (equivalent to approximately HK\$35.7 million), which was undertaken on a pro-rated basis amongst all shareholders. Approximately NTD82.5 million (equivalent to approximately HK\$19.6 million) and NTD67.5 million (equivalent to approximately HK\$16.1 million) was distributed to the Group and the non-controlling interests, respectively.

On 16 January 2012, the Group completed the disposal of its entire interest in SyncMOS Technologies. After the disposal, SyncMOS Technologies ceased to be a subsidiary of the Group.

(a) Assets of a subsidiary classified as held for sale

	2012	2011
	HK\$'000	HK\$'000
Property, plant and equipment	—	675
Long-term deposits	—	270
Inventories	—	15,751
Trade receivables	—	9,173
Deposits, prepayments and other receivables	—	705
Restricted cash	—	264
Short-term bank deposits with original maturities of over three months	—	1,214
Cash and cash equivalents	—	14,557
	<hr/>	<hr/>
Total	—	42,609
	<hr/> <hr/>	<hr/> <hr/>

(b) Liabilities of a subsidiary classified as held for sale

	2012	2011
	HK\$'000	HK\$'000
Trade payables	—	6,092
Other payables and accruals	—	3,540
Amounts due to related parties	—	379
	<hr/>	<hr/>
Total	—	10,011
	<hr/> <hr/>	<hr/> <hr/>

(c) *Cumulative income or expense recognised in other comprehensive income relating to a subsidiary classified as held for sale*

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Currency translation differences	—	5,437
Total	<u>—</u>	<u>5,437</u>

(d) *Analysis of the results of the discontinued operations is as follows:*

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	1,770	69,585
Other income	15	681
Other (losses)/gains, net	(16)	1,198
Expenses	<u>(2,856)</u>	<u>(75,549)</u>
Loss before income tax from discontinued operations	(1,087)	(4,085)
Income tax expense	—	—
Gain on disposal of a subsidiary (<i>Note e</i>)	<u>14,134</u>	<u>—</u>
Profit/(loss) after tax from discontinued operations	<u>13,047</u>	<u>(4,085)</u>
Profit/(loss) for the year from discontinued operations attributable to:		
— Equity holders of the Company	13,536	(2,246)
— Non-controlling interests	<u>(489)</u>	<u>(1,839)</u>
Profit/(loss) for the year from discontinued operations	<u>13,047</u>	<u>(4,085)</u>

(e) *Gain on disposal of a subsidiary is as follows:*

	2012
	<i>HK\$'000</i>
Net consideration	
Cash received	27,600
Direct expenses	(628)
	<u>26,972</u>

	26,972

Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	653
Long-term deposits	272
Inventories	16,867
Trade receivables	7,290
Deposits, prepayments and other receivables	1,371
Restricted cash	266
Cash and cash equivalents	13,638
Trade payables	(2,917)
Other payables and accruals	(5,306)
Amounts due to related companies	(383)
	<u>31,751</u>

Net assets disposed of	31,751

Non-controlling interests	14,288

Release of reserve upon disposal of a subsidiary	4,625

Gain on disposal of a subsidiary	<u>14,134</u>
	=====

8. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 30 days	—	149
31 — 90 days	42	—
	<u>42</u>	<u>149</u>
	=====	=====

9. Expenses by nature

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
From continuing operations:		
Cost of inventories sold	3,410	3,962
Auditors' remuneration	989	1,394
Reversal of provision for inventories	(154)	(554)
Amortisation of intangible assets	—	424
Depreciation of property, plant and equipment	517	454
Operating lease rentals in respect of properties	3,282	3,858
Research and development costs	604	702
Marketing costs	24	25
Employee benefit expenses	8,092	6,815
Other expenses	4,026	6,532
	<u>20,790</u>	<u>23,612</u>
Total cost of sales, distribution costs and general and administrative expenses	<u><u>20,790</u></u>	<u><u>23,612</u></u>

10. Other income

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
From continuing operations:		
Interest income	380	365
Dividend income	998	33
Sundry income	269	384
	<u>1,647</u>	<u>782</u>
	<u><u>1,647</u></u>	<u><u>782</u></u>

11. Income tax credit/(expense)

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current income tax		
— Overseas income tax expense	—	(144)
Overprovision in prior years	28	—
	<u>28</u>	<u>(144)</u>
	<u><u>28</u></u>	<u><u>(144)</u></u>

12. Other gains/(losses), net

Other gains/(losses) recognised during the year are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
— realised gains	2,695	2,855
— unrealised fair value gains/(losses)	44,195	(9,127)
Exchange losses, net	<u>(75)</u>	<u>(19)</u>
Other gains/(losses), net	<u>46,815</u>	<u>(6,291)</u>

13. Earnings/(loss) per share

(a) Basic

The calculation of basic earnings per share for the year ended 31 December 2012 is calculated by dividing the consolidated profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders of the Company		
— Continuing operations	38,616	(16,829)
— Discontinued operations	<u>13,536</u>	<u>(2,246)</u>
Profit/(loss) attributable to equity holders of the Company	<u>52,152</u>	<u>(19,075)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>336,587</u>	<u>336,587</u>
	<i>HK cents</i>	<i>HK cents</i>
Basic earnings/(loss) per share		
— Continuing operations	11.47	(5.00)
— Discontinued operations	<u>4.02</u>	<u>(0.67)</u>

(b) Diluted

During the year ended 31 December 2012, the Company does not have any potential dilutive ordinary shares.

RESULTS

I have pleasure to report to the shareholders the results of PacMOS Technologies Holdings Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2012.

For the year ended 31 December 2012, the Group achieved a turnover of approximately HK\$10.9 million, as compared to that of last year of approximately HK\$12.4 million. The profit attributable to equity holders of the Company amounted to approximately HK\$52.1 million, as compared to the loss of last year of approximately HK\$19.1 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2012.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

Due to the continuing soft market demand, our operation in Shanghai recorded a turnover of approximately HK\$10.9 million for the year ended 31 December 2012 as compared to approximately HK\$12.4 million for the year ended 31 December 2011. The gross profit margin of our operation in Shanghai was approximately 69% (2011: approximately 68%). The operation in Shanghai recorded a net loss of approximately HK\$228,000 (2011: a net profit of approximately HK\$747,000).

The Taiwan operation has been suffering losses for the past three years. The business outlook for design and distribution of integrated circuits and semiconductor parts in the Taiwan market is overshadowed by the increase in market competition amongst the players in the industry, which has significantly been affecting the demand for its products. As a result, the management decided to dispose the business at an aggregate cash consideration of NT\$106.8 million (equivalent to HK\$27.6 million). The disposal of the Taiwan business was completed on 16 January 2012. The revenue and assets of the Taiwan segment were solely contributed by the Group’s non wholly-owned subsidiary, SyncMOS Technologies International, Inc. (“SyncMOS Technologies”). Upon completion of the disposal of SyncMOS Technologies, SyncMOS Technologies is no longer a subsidiary of the Company. As such, the financial results of SyncMOS Technologies were no longer consolidated with the Group upon completion. Since then, the Group has ceased all business operations in Taiwan. The actual gain on the disposal of approximately HK\$14.1 million was recognised in the consolidated financial statements of the Group for the year ended 31 December 2012.

For the period from 1 to 16 January 2012, the Taiwan operation recorded revenue of approximately HK\$1.8 million (2011: approximately HK\$69.6 million). The gross profit margin was approximately 25% (2011: approximately 24%). During such period, the operation in Taiwan recorded a net loss of approximately HK\$1.1 million (2011: a net loss of approximately HK\$4.1 million).

Investment holding

As at 31 December 2012, the Group held approximately 879,919 shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”), a company listed on the NASDAQ. ChipMOS is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

During the year, the Company disposed on the NASDAQ 35,000 shares of ChipMOS with an average price of approximately US\$15.1 per share. Sale proceeds obtained by the Company were approximately HK\$4.0 million with a realized gain of approximately HK\$2.7 million.

On 16 November 2012, ChipMOS had declared an annual cash dividend of US\$0.14 per common share payable on 18 December 2012 to all shareholders of record at the close of business on 5 December 2012. The Company received approximately US\$0.123 million (approximately HK\$0.95 million) cash dividend in total.

As at 31 December 2012, the quoted market price of ChipMOS was approximately US\$11.6027 per share, as compared to approximately US\$5.16 per share as at 31 December 2011. Consequently, an unrealized gain of approximately HK\$43.9 million was recorded due to mark-to-market valuation of the shares held for the year under review.

The quoted market price of ChipMOS as at 6 March 2013 was approximately US\$10.70.

FUTURE PLANS AND PROSPECTS

The world economic environment continues to be challenging as most of the major economies, including China, are facing possible slowdown. The Group intends to apply the net proceeds from the disposal of Taiwan operation for the expansion of its business operations in Shanghai and to explore business opportunities in order to maximize shareholders’ value and as general working capital. We will continue to focus on our main business in the design and trading of integrated circuit products and will enhance our research and development and sale and marketing functions to improve our existing products and to develop new products for strengthening of our competitive edge in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31 December 2012, the cash and cash equivalents of the Group amounted to approximately HK\$47.5 million as compared to approximately HK\$44.4 million as at 31 December 2011. As at 31 December 2012, the Group also held short-term bank deposits of approximately HK\$31.5 million (2011: approximately HK\$1.2 million).

For the year ended 31 December 2012, the Group recorded a net increase in cash and cash equivalents of approximately HK\$2.9 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 5.6% as at 31 December 2012 (2011: approximately 18.0%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2012, the total liabilities of the Group were approximately HK\$7.6 million (2011: approximately HK\$21.3 million).

Foreign currency exposure

The Group's results are exposed to exchange fluctuations of Renminbi and New Taiwan dollars as the Group has overseas operations in the PRC and Taiwan. Subsequent to the disposal of Taiwan operation in about January 2012, the Group's result is mainly exposed to exchange fluctuations of the Renminbi.

For the year under review, a net exchange loss of approximately HK\$75,000 (2011: loss of approximately HK\$19,000) was recognised in the consolidated income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK\$186,000 was debited to the exchange reserve (2011: credit of approximately HK\$1,991,000).

Upon the disposal of Taiwan operation, currency translation reserve of approximately HK\$4.6 million was released in the consolidated income statement.

Capital structure

The profit attributable to shareholders for the year ended 31 December 2012 of approximately HK\$52.2 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 2012, the shareholders' fund amounted to approximately HK\$129.9 million (2011: approximately HK\$82.2 million).

Investments and capital assets

The Group acquired property, plant and equipment of approximately HK\$0.4 million for the year ended 31 December 2012 (2011: approximately HK\$1.5 million).

As at 31 December 2012, the Company held approximately 879,919 shares of ChipMOS and its quoted market price was US\$11.6027 per share. On 6 March 2013, the quoted market price of ChipMOS was US\$10.70 per share.

As at 31 December 2012, the Group also held shares of Hong Kong listed companies amounted to approximately HK\$0.9 million (2011: approximately HK\$0.7 million).

Charges on assets

As at 31 December 2012, the Group had no restricted bank deposits.

Segment information

Subsequent to the completion of the disposal of the business operation of Taiwan segment on 16 January 2012, the Group ceased all Taiwan operations. Such disposal resulted in a gain of approximately HK\$14.1 million.

For the year under review, Shanghai segment contributed mainly to the Group's business operation.

Human resources

The headcount of the Group as at 31 December 2012 was approximately 41 (2011: approximately 89).

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 2012.

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.

CORPORATE GOVERNANCE PRACTICES

The code provisions of the Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 to the Listing Rules were revised as Corporate Governance Code and Corporate Governance Report (the "Revised Code") and took effect on 1 April 2012, and is applicable to financial reports covering an accounting period which ends after 1 April 2012. During the year 2012, the Company has complied with the code provisions of the Former Code and the Revised Code save for the following:

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 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 2012, 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 ("PwC HK")

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, PwC HK, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PwC HK 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 PwC HK on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive directors, namely Mr. Wong Chi Keung (Chairman), Mr. Cheng Hok Ming, Albert and Dr. 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 which 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 2012.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 7 March 2013

Compositions of the Board of Directors as at 7 March 2013

Executive directors:

Mr. Yip Chi Hung

Mr. Chen Che Yuan

Independent non-executive directors:

Mr. Wong Chi Keung

Mr. Cheng Hok Ming, Albert

Dr. Ma Kwai Yuen