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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 2013

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 2013.

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2013	2012
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,755	2,084
Intangible assets		—	—
Long-term deposits		699	—
		<u>3,454</u>	<u>2,084</u>
Current assets			
Inventories		3,904	3,525
Trade and bills receivables	4	1,375	1,379
Deposits, prepayments and other receivables		2,174	3,029
Amount due from a related party		3	—
Financial assets at fair value through profit or loss	5	109,866	80,072
Cash and cash equivalents	6	59,508	47,490
		<u>176,830</u>	<u>135,495</u>
Total assets		<u>180,284</u>	<u>137,579</u>

* *For identification only*

		As at 31 December	
	<i>Note</i>	2013	2012
		<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		1,258	1,069
Accumulated profits/(losses)		<u>39,960</u>	<u>(6,055)</u>
		<u>176,140</u>	<u>129,936</u>
Total equity		<u>176,140</u>	<u>129,936</u>
LIABILITIES			
Non-current liabilities			
Other payables		<u>522</u>	<u>714</u>
Current liabilities			
Trade payables	8	85	42
Other payables and accruals		3,537	3,294
Amount due to a related party		<u>—</u>	<u>3,593</u>
		<u>3,622</u>	<u>6,929</u>
Total liabilities		<u>4,144</u>	<u>7,643</u>
Total equity and liabilities		<u>180,284</u>	<u>137,579</u>
Net current assets		<u>173,208</u>	<u>128,566</u>
Total assets less current liabilities		<u>176,662</u>	<u>130,650</u>

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	<i>Note</i>	2013	2012
		HK\$'000	HK\$'000
Continuing operations			
Revenue	3	12,218	10,916
Cost of sales	9	<u>(4,189)</u>	<u>(3,410)</u>
Gross profit		8,029	7,506
Distribution costs	9	(45)	(24)
General and administrative expenses	9	(18,481)	(17,356)
Other income	10	1,559	1,647
Other gains, net	12	<u>54,953</u>	<u>46,815</u>
Profit before income tax		46,015	38,588
Income tax credit	11	<u>—</u>	<u>28</u>
Profit for the year from continuing operations		46,015	38,616
Discontinued operations			
Profit for the year from discontinued operations	7(a)	<u>—</u>	<u>13,047</u>
Profit for the year		<u>46,015</u>	<u>51,663</u>
Attributable to:			
Equity holders of the Company		46,015	52,152
Non-controlling interests		<u>—</u>	<u>(489)</u>
		<u>46,015</u>	<u>51,663</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	13		
From continuing operations		13.67	11.47
From discontinued operations		<u>—</u>	<u>4.02</u>
		<u>13.67</u>	<u>15.49</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	46,015	51,663
Other comprehensive income		
<i>Items that have been reclassified or may be subsequently reclassified to income statement</i>		
Currency translation differences	189	294
Release of reserves upon disposal of a subsidiary (<i>note 7</i>)	—	(4,625)
Total comprehensive income for the year	<u>46,204</u>	<u>47,332</u>
Total comprehensive income for the year attributable to:		
Equity holders of the Company	46,204	47,713
Non-controlling interests	—	(381)
Total comprehensive income for the year	<u>46,204</u>	<u>47,332</u>
Total comprehensive income attributable to equity holders of the Company arises from:		
Continuing operations	46,204	38,669
Discontinued operations	—	9,044
	<u>46,204</u>	<u>47,713</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Accumulated profits/ (losses) HK\$'000	Total HK\$'000			
Balance at 1 January 2012	134,922	5,508	1,582	(59,789)	82,223	14,669	96,892	
Comprehensive income								
Profit for the year	—	—	—	52,152	52,152	(489)	51,663	
Other comprehensive income								
Currency translation differences	—	186	—	—	186	108	294	
Release of reserves upon disposal of subsidiary (Note 7)	—	(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 (Note 7)	—	—	—	—	—	(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>	
Balance at 1 January 2013	134,922	1,069	—	(6,055)	129,936	—	129,936	
Comprehensive income								
Profit for the year	—	—	—	46,015	46,015	—	46,015	
Other comprehensive income								
Currency translation differences	—	189	—	—	189	—	189	
Total comprehensive income for the year	—	189	—	46,015	46,204	—	46,204	
Balance at 31 December 2013	<u>134,922</u>	<u>1,258</u>	<u>—</u>	<u>39,960</u>	<u>176,140</u>	<u>—</u>	<u>176,140</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 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 15th Floor, Siu On Centre, 188 Lockhart Road, Wanchai, 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 2014.

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

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		
	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2013			
Revenues from external customers	<u>—</u>	<u>12,218</u>	<u>12,218</u>
Operating profit	<u>41,510</u>	<u>4,147*</u>	<u>45,657</u>
Interest income	<u>308</u>	<u>50</u>	<u>358</u>
Profit before income tax	<u>41,818</u>	<u>4,197</u>	<u>46,015</u>
Income tax credit	<u>—</u>	<u>—</u>	<u>—</u>
Profit for the year	<u>41,818</u>	<u>4,197</u>	<u>46,015</u>
Other gains — net, included in results for the year	<u>51,290</u>	<u>3,663*</u>	<u>54,953</u>
Depreciation and amortisation, included in results for the year	<u>309</u>	<u>247</u>	<u>556</u>
Capital expenditures	<u>1,117</u>	<u>399</u>	<u>1,516</u>
As at 31 December 2013			
Segment assets	<u>169,947</u>	<u>10,337</u>	<u>180,284</u>
Segment liabilities	<u>2,884</u>	<u>1,260</u>	<u>4,144</u>

* Operating profit of the PRC segment included income of HK\$3,646,000 from the release of liability to a related party. Such income was reported in “other gains, net” in Note 12.

	Continuing Operations			Discontinued Operations	Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000	Taiwan HK\$'000	
For the year ended 31 December 2012					
Revenues from external customers	<u>—</u>	<u>10,916</u>	<u>10,916</u>	<u>1,770</u>	<u>12,686</u>
Operating profit/(loss)	38,544	(336)	38,208	(1,090)	37,118
Interest income	<u>300</u>	<u>80</u>	<u>380</u>	<u>3</u>	<u>383</u>
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 credit	<u>—</u>	<u>28</u>	<u>28</u>	<u>—</u>	<u>28</u>
Profit/(loss) for the year	<u>38,844</u>	<u>(228)</u>	<u>38,616</u>	<u>13,047</u>	<u>51,663</u>
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	<u>128,102</u>	<u>9,477</u>	<u>137,579</u>	<u>—</u>	<u>137,579</u>
Segment liabilities	<u>2,569</u>	<u>5,074</u>	<u>7,643</u>	<u>—</u>	<u>7,643</u>

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

	2013 HK\$'000	2012 HK\$'000
Customer A	3,613	2,843
Customer B	2,056	2,324
Customer C	467	1,307

4. Trade and bills receivables

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	529	252
Bills receivables	846	1,127
Less: provision for impairment of receivables	—	—
	<hr/>	<hr/>
Trade and bills receivables, net	<u>1,375</u>	<u>1,379</u>

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

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	233	38
1 — 30 days	161	30
Over 30 days	135	184
	<hr/>	<hr/>
	<u>529</u>	<u>252</u>

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

As at 31 December 2013, bills receivables of HK\$846,000 (2012: HK\$1,127,000) will mature as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 — 30 days	129	38
31 — 90 days	360	528
91 — 180 days	357	561
Over 180 days	—	—
	<hr/>	<hr/>
	<u>846</u>	<u>1,127</u>

5. Financial assets at fair value through profit or loss

	Group	
	2013	2012
	HK\$'000	HK\$'000
Equity securities listed in		
— The United States of America	108,894	79,133
— Hong Kong	972	939
	<hr/>	<hr/>
Market value of listed securities	109,866	80,072
	<hr/> <hr/>	<hr/> <hr/>

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 (Note 12).

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

As at 31 December 2013, the carrying amount of the Group’s interests in the shares of ChipMOS Technologies (Bermuda) Ltd. represented 61% (31 December 2012: 58%) 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	729,919 common shares, representing 2.3% of issued share capital of ChipMOS

The quoted market price of ChipMOS as at 6 March 2014 was approximately US\$23.02.

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

	Group	
	2013	2012
	HK\$'000	HK\$'000
Cash at bank	23,505	15,936
Term deposits with original maturities of three months or less (Note a)	35,990	31,546
Cash on hand	13	8
	<hr/>	<hr/>
Cash and cash equivalents	59,508	47,490
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) As at 31 December 2013, the effective interest rate on term deposits was 1.09% (2012: 1.21%).
- (b) As at 31 December 2013, funds of the Group denominated in RMB amounting to HK\$2,726,000 were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2012: HK\$2,528,000).

7. Discontinued operations

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) Analysis of the results of the discontinued operations is as follows:

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

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

	2012 <i>HK\$'000</i>
Net consideration	
Cash received	27,600
Direct expenses	<u>(628)</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	<u>(383)</u>
Net assets disposed of	----- 31,751
Non-controlling interests	----- 14,288
Release of reserve upon disposal of a subsidiary	<u>4,625</u>
Gain on disposal of a subsidiary	<u><u>14,134</u></u>

8. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	85	—
31-90 days	<u>—</u>	<u>42</u>
	<u><u>85</u></u>	<u><u>42</u></u>

9. Expenses by nature

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
From continuing operations:		
Cost of inventories sold	4,253	3,564
Auditors' remuneration	929	989
Reversal of provision for inventories	(64)	(154)
Depreciation of property, plant and equipment	556	517
Loss on disposal of property, plant and equipment	329	—
Operating lease rentals in respect of properties	3,962	3,282
Research and development costs	270	604
Marketing costs	45	24
Employee benefit expenses	8,125	8,092
Other expenses	4,310	3,872
	<u>22,715</u>	<u>20,790</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>22,715</u>	<u>20,790</u>

10. Other income

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
From continuing operations:		
Interest income	358	380
Dividend income	944	998
Sundry income	257	269
	<u>1,559</u>	<u>1,647</u>

11. Income tax credit

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current income tax		
— Overseas income tax expense	—	—
Overprovision in prior years	—	28
	<u>—</u>	<u>28</u>

12. Other gains, net

Other gains recognised during the year are as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
— realised gains	8,026	2,695
— unrealised fair value gains	43,289	44,195
Release of liability to a related party	3,646	—
Exchange losses, net	(8)	(75)
	<u>54,953</u>	<u>46,815</u>
Other gains, net	<u>54,953</u>	<u>46,815</u>

13. Earnings per share

(a) Basic

The calculation of basic earnings per share for the year ended 31 December 2013 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit attributable to equity holders of the Company		
— Continuing operations	46,015	38,616
— Discontinued operations	—	13,536
	<u>46,015</u>	<u>52,152</u>
Profit attributable to equity holders of the Company	<u>46,015</u>	<u>52,152</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 per share		
— Continuing operations	13.67	11.47
— Discontinued operations	—	4.02
	<u>13.67</u>	<u>11.47</u>

(b) Diluted

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 2013.

For the year ended 31 December 2013, the Group achieved a turnover of approximately HK\$12.2 million, as compared to that of last year of approximately HK\$10.9 million. The profit attributable to equity holders of the Company amounted to approximately HK\$46.0 million, as compared to the profit of last year of approximately HK\$52.1 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2013.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

In 2013, the slowdown of economic growth in China remained, while inflation stayed high. Amid this adverse operating environment, the Group has adopted prudent business approach and continues to focus on strengthening our existing products and to develop new products. Through the efforts of the management and staff, our operation in Shanghai recorded a steady growth in revenue by approximately 11.9%.

Our operation in Shanghai recorded a turnover of approximately HK\$12.2 million for the year ended 31 December 2013 as compared to approximately HK\$10.9 million for the year ended 31 December 2012. The gross profit margin of our operation in Shanghai was approximately 66% (2012: approximately 69%). The operation in Shanghai recorded a net profit of approximately HK\$4,197,000 which included a gain of HK\$3.6 million from the waive of a debt by an investee company of MVI (2012: a net loss of approximately HK\$228,000).

Investment holding

As at 31 December 2013, the Group held approximately 729,919 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 150,000 shares of ChipMOS with an average price of approximately US\$18.51 per share. Sale proceeds obtained by the Company were approximately HK\$21.5 million with a realized gain of approximately HK\$8.0 million.

On 30 August 2013, ChipMOS had declared an annual cash dividend of US\$0.14 per common share payable on 30 October 2013 to all shareholders of record at the close of business on 16 October 2013. The Company received approximately US\$116,000 (approximately HK\$899,000) cash dividend in total.

As at 31 December 2013, the quoted market price of ChipMOS was approximately US\$19.24 per share, as compared to approximately US\$11.6027 per share as at 31 December 2012. Consequently, an unrealized gain of approximately HK\$43.3 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 2014 was approximately US\$23.02.

FUTURE PLANS AND PROSPECTS

Facing economic uncertainties and cost inflation, the Group will continue with its prudent business approach.

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 2013, the cash and cash equivalents of the Group amounted to approximately HK\$59.5 million as compared to approximately HK\$47.5 million as at 31 December 2012. As at 31 December 2013, the Group also held short-term bank deposits of approximately HK\$36.0 million (2012: approximately HK\$31.5 million).

For the year ended 31 December 2013, the Group recorded a net increase in cash and cash equivalents of approximately HK\$12.0 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 2.3% as at 31 December 2013 (2012: approximately 5.6%). The Group did not have any bank financing during the year, and no interest cost was incurred. As at 31 December 2013, the total liabilities of the Group were approximately HK\$4.1 million (2012: approximately HK\$7.6 million).

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi and New Taiwan dollars as the Group had overseas operations in the PRC and Taiwan. Subsequent to the disposal of Taiwan operation in 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\$8,000 (2012: loss of approximately HK\$75,000) was recognised in the consolidated income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK\$189,000 was credited to the exchange reserve (2012: credit of approximately HK\$186,000).

Upon the disposal of Taiwan operation in 2012, 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 2013 of approximately HK\$46.0 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 2013, the shareholders' fund amounted to approximately HK\$176.1 million (2012: approximately HK\$129.9 million).

Investments and capital assets

The Group acquired property, plant and equipment of approximately HK\$1.5 million for the year ended 31 December 2013 (2012: approximately HK\$0.4 million).

As at 31 December 2013, the Company held approximately 729,919 shares of ChipMOS and its quoted market price was US\$19.24 per share. On 6 March 2014, the quoted market price of ChipMOS was US\$23.02 per share.

As at 31 December 2013, the Group also held shares of a Hong Kong listed company amounted to approximately HK\$1.0 million (2012: approximately HK\$0.9 million).

Charges on assets

As at 31 December 2013, 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, the Hong Kong and PRC segments contributed mainly to the Group's business operation.

Human resources

The headcount of the Group as at 31 December 2013 was approximately 35 (2012: approximately 41).

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 2013.

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

During the year, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules except for 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 by-laws of the Company (“Bye-laws”).

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 2013, 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 2013 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 audited financial statements of the Group for the year ended 31 December 2013.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 7 March 2014

Compositions of the Board of Directors as at 7 March 2014

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