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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The Directors are pleased to present the interim results and unaudited condensed accounts of PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	2,965	2,755
Long-term deposits		694	699
		3,659	3,454
Current assets			
Inventories		3,594	3,904
Trade and bills receivables	<i>12</i>	1,241	1,375
Deposits, prepayments and other receivables		1,014	2,174
Amount due from a related party	<i>17(b)</i>	3	3
Financial assets at fair value through profit or loss	<i>13</i>	137,425	109,866
Cash and cash equivalents	<i>14</i>	56,538	59,508
		199,815	176,830
Total assets		203,474	180,284

* For identification only

		Unaudited	Audited
		30 June	31 December
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>15</i>	134,922	134,922
Other reserves		937	1,258
Accumulated profits		64,980	39,960
		<u> </u>	<u> </u>
Total equity		<u>200,839</u>	<u>176,140</u>
LIABILITIES			
Non-current liabilities			
Other payables		509	522
		<u> </u>	<u> </u>
Current liabilities			
Trade payables	<i>16</i>	—	85
Other payables and accruals		2,126	3,537
		<u> </u>	<u> </u>
		2,126	3,622
		<u> </u>	<u> </u>
Total liabilities		<u>2,635</u>	<u>4,144</u>
Total equity and liabilities		<u>203,474</u>	<u>180,284</u>
Net current assets		<u>197,689</u>	<u>173,208</u>
Total assets less current liabilities		<u>201,348</u>	<u>176,662</u>

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	6,465	5,483
Cost of sales	6	<u>(2,174)</u>	<u>(1,752)</u>
Gross profit		4,291	3,731
Distribution costs	6	(30)	(17)
General and administrative expenses	6	(6,984)	(8,626)
Other income		33	150
Other gains — net	5, 7	<u>27,550</u>	<u>52,944</u>
Operating profit	5	24,860	48,182
Finance income, net		<u>250</u>	<u>132</u>
Profit before income tax		25,110	48,314
Income tax expense	8	<u>(90)</u>	<u>(13)</u>
Profit for the period		<u>25,020</u>	<u>48,301</u>
Attributable to:			
Equity holders of the Company		<u>25,020</u>	<u>48,301</u>
Earnings per share attributable to the equity holders of the Company		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted	9	<u>7.43</u>	<u>14.35</u>
Dividends	10	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	25,020	48,301
Other comprehensive income		
Items that may be reclassified subsequently to income statement in subsequent periods:		
Currency translation differences	<u>(321)</u>	<u>68</u>
Total comprehensive income for the period	<u>24,699</u>	<u>48,369</u>
Total comprehensive income attributable to:		
Equity holders of the Company	<u>24,699</u>	<u>48,369</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited			
	Attributable to equity holders of the Company			
			Accumulated	
	Share	Exchange	profits/	Total
	Capital	reserve	(losses)	equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2013	134,922	1,069	(6,055)	129,936
Profit for the period	—	—	48,301	48,301
Currency translation differences	—	68	—	68
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	—	68	48,301	48,369
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2013	<u>134,922</u>	<u>1,137</u>	<u>42,246</u>	<u>178,305</u>
Balance at 1 January 2014	134,922	1,258	39,960	176,140
Profit for the period	—	—	25,020	25,020
Currency translation differences	—	(321)	—	(321)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	—	(321)	25,020	24,699
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2014	<u>134,922</u>	<u>937</u>	<u>64,980</u>	<u>200,839</u>

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

		Unaudited Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash used in operations		(2,492)	(4,091)
Overseas taxes paid		<u>(90)</u>	<u>(13)</u>
Net cash used in operating activities		<u>(2,582)</u>	<u>(4,104)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	<i>11</i>	(561)	(86)
Interest received		<u>250</u>	<u>132</u>
Net cash (used in)/generated from investing activities		<u>(311)</u>	<u>46</u>
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		59,508	47,490
Exchange (losses)/gains on cash and cash equivalents		<u>(77)</u>	<u>72</u>
Cash and cash equivalents at the end of the period		<u>56,538</u>	<u>43,504</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

The Company is a limited liability company incorporated in Bermuda. The address of the principal place of business of the Company is 15th Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 19 August 2014.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

4 Financial risk management

4.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2013.

There have been no changes in the risk management policies since the year end.

4.2 *Liquidity risk*

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

4.3 *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through profit or loss	137,425	—	—	137,425

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Financial assets at fair value through profit or loss	109,866	—	—	109,866

There were no transfers between Level 1, 2 and 3 during the period. There were no other changes in valuation techniques during the period.

The carrying amounts of the Group's current financial assets including trade and bills receivables, other receivables and deposits, amount due from a related company and cash and cash equivalents, and current financial liabilities including trade payables and other payables and accruals, approximate their fair values as at the balance sheet date.

5 Segment information

The Group is principally engaged in the design, distribution and trading of integrated circuits and semiconductor parts in the PRC, and investment holding.

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

- (i) corporate administration and investment functions performed by the Hong Kong headquarters; and
- (ii) design and sales of integrated circuits in calipers 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.

With the non re-election of Mr. Yip Chi Hung as an Executive Director at the Company's annual general meeting held on 30 June 2014, the office of Chairman is vacated. Mr. Yip Chi Hung was re-appointed as an Executive Director by the Board of Directors with effect from 30 June 2014. For more information, please refer to the Corporate Governance Report of this report.

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>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2014			
Revenue from external customers	<u>—</u>	<u>6,465</u>	<u>6,465</u>
Operating profit	<u>24,263</u>	<u>597</u>	<u>24,860</u>
Profit for the period	<u>24,510</u>	<u>510</u>	<u>25,020</u>
Other gains/(losses) — net, included in operating profit	27,560	(10)	27,550
Capital expenditures (<i>note 11</i>)	50	511	561
As at 30 June 2014			
Segment assets	<u>192,500</u>	<u>10,974</u>	<u>203,474</u>
Segment liabilities	<u>927</u>	<u>1,708</u>	<u>2,635</u>

	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000
Six months ended 30 June 2013			
Revenue from external customers	—	5,483	5,483
Operating profit/(loss)	48,283	(101)	48,182
Profit/(loss) for the period	48,412	(111)	48,301
Other gains — net, included in operating profit	52,937	7	52,944
Capital expenditures (<i>note 11</i>)	—	86	86
As at 31 December 2013			
Segment assets	169,947	10,337	180,284
Segment liabilities	2,884	1,260	4,144

For the six months ended 30 June 2014, revenue of approximately HK\$2,791,000 was derived from a single external customer. This revenue was attributable to the PRC segment (Six months ended 30 June 2013: HK\$1,894,000).

6 Expenses by nature

Expenses included in cost of sales, distribution costs and general and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Cost of inventories sold	2,174	1,752
Auditor's remuneration	469	607
Depreciation of property, plant and equipment	306	249
Operating lease rentals in respect of properties	1,301	2,162
Research and development costs	19	264
Marketing costs	30	18
Employee benefit expenses (including directors' emoluments) (<i>Note</i>)	3,530	3,904
Other expenses	1,359	1,439
Total cost of sales, distribution costs and general and administrative expenses	<u>9,188</u>	<u>10,395</u>

Note: At the annual general meeting held on 30 June 2014, the resolutions in relation to the payment of remuneration to Directors for the year ending 31 December 2014 were not passed, therefore, no provision is made for directors' remuneration for the six months ended 30 June 2014.

7 Other gains — net

Other gains recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss:		
— realised gains	—	—
— unrealised gains	27,638	52,906
Exchange (losses)/gains — net	(88)	38
	<hr/>	<hr/>
Total other gains — net	27,550	52,944
	<hr/> <hr/>	<hr/> <hr/>

8 Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the period. Overseas tax has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The amount of tax charged to the condensed consolidated interim income statement represents:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
— Overseas tax	(90)	(13)
	<hr/> <hr/>	<hr/> <hr/>

9 Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately HK\$25,020,000 (2013: HK\$48,301,000) and 336,587,142 shares (2013: 336,587,142 shares) in issue during the period. Details of basic earnings per share are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>25,020</u>	<u>48,301</u>
Weighted average number of ordinary shares in issue (thousands)	<u>336,587</u>	<u>336,587</u>
	HK cents	HK cents
Basic earnings per share	<u>7.43</u>	<u>14.35</u>

Basic earnings per share is the same as diluted earnings per share as the Group does not have any potentially dilutive ordinary shares (six months ended 30 June 2013: same).

10 Dividend

The directors do not recommend the payment of a dividend (six months ended 30 June 2013: Nil).

11 Property, plant and equipment

	Property, plant and equipment HK\$'000
Opening net book amount as at 1 January 2013	2,084
Additions	86
Depreciation	(249)
Currency translation differences	<u>20</u>
Closing net book amount as at 30 June 2013	<u>1,941</u>
Opening net book amount as at 1 January 2014	2,755
Additions	561
Depreciation	(306)
Currency translation differences	<u>(45)</u>
Closing net book amount as at 30 June 2014	<u>2,965</u>

12 Trade and bills receivables

The Group's credit terms to trade debtors range from 30 to 60 days. The ageing analysis of trade receivables based on due date is as follows:

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Current	—	233
1 to 30 days	98	161
31 to 90 days	246	94
91 to 180 days	110	41
Over 180 days	1	—
	<u>455</u>	<u>529</u>

As at 30 June 2014, bill receivables of HK\$786,000 (31 December 2013: HK\$846,000) will mature as follows:

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
1 to 30 days	162	129
31 to 90 days	374	360
91 to 180 days	250	357
Over 180 days	—	—
	<u>786</u>	<u>846</u>

13 Financial assets at fair value through profit or loss

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Listed equity securities in		
— The United States of America	136,518	108,894
— Hong Kong	907	972
	<u>137,425</u>	<u>109,866</u>

Changes in fair value of the financial assets at fair value through profit or loss are recorded in other gains — net in the condensed consolidated interim income statement.

The fair value of all equity securities was determined based on their bid prices in an active market as at 30 June 2014.

As at 30 June 2014, the carrying amount of the Group's interests in the shares of ChipMOS Technologies (Bermuda) Ltd. ("ChipMOS") represented 67% (31 December 2013: 61%) 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 at par value US\$0.04 per share	729,919 common shares, representing 2.4% of the issued share capital of ChipMOS

The quoted market price of ChipMOS as at 18 August 2014 was approximately US\$24.40.

14 Cash and cash equivalents

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Cash at bank	10,384	23,505
Term deposits with original maturities of three months or less	46,146	35,990
Cash on hand	<u>8</u>	<u>13</u>
Total cash and cash equivalents	<u>56,538</u>	<u>59,508</u>

15 Share capital

	Number of issued share (thousands)	Issued ordinary shares HK\$'000	Share premium HK\$'000	Total share capital HK\$'000
At 31 December 2013 and 30 June 2014	<u>336,587</u>	<u>33,659</u>	<u>101,263</u>	<u>134,922</u>

The total authorised number of ordinary shares is 500 million shares (31 December 2013: 500 million shares) with a par value of HK\$0.1 per share (31 December 2013: HK\$0.1 per share). All issued shares are fully paid.

16 Trade payables

An ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 <i>HK\$'000</i>
Less than one year	<u>—</u>	<u>85</u>

17 Related party transactions

Texan Management Limited (“Texan”) (incorporated in the British Virgin Islands) held approximately 43% of the Company’s shares (the “Shares”). Mosel Vitelic Inc. (“MVI”) (a listed company in Taiwan) holds approximately 32% of the Shares.

Texan had notified the Company, as of 27 June 1997, it was interested in 145,610,000 Shares, representing approximately 43% of the Company’s issued share capital. All Dragon International Limited (“All Dragon”) had notified the Company, as of 27 June 1997, it was deemed to be interested in the 145,610,000 Shares held by Texan, as being the controlling corporation of Texan.

The Company had been provided with a judgment of the court dated 18 January 2008 (“Judgment”) in respect of an application for summary judgment (“Application”) by Pacific Electric Wire and Cable Company Limited (“Pacific Electric”) in the Legal Action (as defined below). Pursuant to the Judgment, it was held, among other things, Texan held the Shares owned by it upon trust for Pacific Electric. Pacific Electric had notified the Company on 22 January 2008 that Pacific Electric was the beneficial owner of the 145,610,000 Shares, representing approximately 43.26% of the Company’s issued share capital. The Company had also been notified by Texan that Texan would appeal against the Judgment and the findings made therein, including, the finding that Texan held the shares upon trust for Pacific Electric.

On 16 October 2008, the Company was notified that in compliance with the order of the Court (“Order”) which ordered Texan and Pacific Capital (Asia) Limited (“PC Asia”) to transfer their respective Shares (being 145,609,998 Shares for Texan and 1 Share for PC Asia) to PEWC Asset Holdings Limited (“PAH”), a wholly owned subsidiary of Pacific Electric, made pursuant to the Application, Texan and PC Asia had prepared documents for the transfer of their respective said Shares to be delivered to Pacific Electric. On or about 27 February 2009, the said 145,609,999 Shares had been registered in the name of PAH.

On 18 November 2008, PAH had notified the Company that PAH was interested, as nominee, in 145,609,999 Shares, representing approximately 43% of the Company’s issued share capital.

On 4 March 2009, the Company was notified by the solicitors acting for Texan and PC Asia of the following:

- (i) Texan and PC Asia, amongst others, had successfully appealed against the Order in the Court of Appeal on 2 and 3 March 2009; and
- (ii) the Court of Appeal ordered on 3 March 2009 that the Order be discharged.

On or about 20 August 2009, the Company was notified by the solicitors acting for, among others, All Dragon, Texan and PC Asia of the following:

- (i) pursuant to an order of the Court of Appeal dated 3 March 2009 (“Court of Appeal Order”), Pacific Electric was ordered by the Court of Appeal to procure PAH to transfer 145,609,999 Shares to Texan and PC Asia; and
- (ii) due to Pacific Electric’s non-compliance with the Court of Appeal Order, Texan and PC Asia applied to the court for the execution of the relevant share transfers by a judicial officer in place of PAH, and such application was approved by the court on 31 July 2009. Accordingly, the said 145,609,999 Shares had been transferred to Texan (as to 145,609,998 Shares) and to PC Asia (as to 1 Share).

On 27 August 2009, the said 145,609,998 Shares and 1 Share had been registered in the name of Texan and PC Asia respectively.

On 12 April 2012, the Company was notified that judgment has been delivered by the High Court of Hong Kong in relation to the Legal Action (as defined below) (the “2012 Judgment”), which contains, among other things, the following:

- (i) there be a declaration that Texan holds all its Shares on constructive trust for Pacific Electric, and Texan is to transfer all of its such Shares to Pacific Electric within 28 days; and
- (ii) there be a declaration that PC Asia holds all its Share on constructive trust for the Pacific Electric, and PC Asia is to transfer all of its such Share to Pacific Electric within 28 days.

On 16 April 2012, the solicitors acting for Pacific Electric notified the Company that Pacific Electric was beneficially interested in 145,610,000 Shares representing approximately 43% of the Company’s issued share capital.

On 31 May 2012, the solicitors acting for Full Global International Limited (“Full Global”) notified the Company that pursuant to the 2012 Judgment, the following transfer of Shares were executed on 29 May 2012:

- (i) 145,609,998 Shares from Texan to Full Global (as nominee of Pacific Electric); and
- (ii) 1 Share from PC Asia to Full Global (as nominee of Pacific Electric).

As at 18 June 2012, the said 145,609,998 Shares and 1 Share had been registered in the name of Full Global. Full Global, a company incorporated in the British Virgin Islands, is wholly-owned by Developer Global Limited, a company incorporated in the British Virgin Islands, which in turn is wholly-owned by Dragon Conqueror Limited, a company incorporated in the British Virgin Islands, which in turn is wholly-owned by Pacific Electric.

The Legal Action refers to the legal action instituted by Pacific Electric, as plaintiff, on 23 September 2004 in the High Court of Hong Kong (“Legal Action”) against, among others, Texan and All Dragon in respect of, among others, shares of the Company held by Texan. Further details on the Legal Action are set out in the announcements of the Company dated 8 October 2004, 2 December 2004, 21 March 2006, 18 April 2006, 25 January 2008, 20 October 2008, 5 March 2009, 25 August 2009 and 20 April 2012.

- (a) During the period, the Group undertook the following significant transactions with related companies:

		Unaudited	
		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recharge of rental to Fong Wing Shing Construction Company Limited (“Fong Wing Shing”), an entity with directorships in common	(i)	<u>—</u>	<u>167</u>

- (i) The rental was charged to Fong Wing Shing based on the floor area occupied.

- (b) Amount due from a related company was as follows:

	Unaudited	Audited
	30 June	31 December
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from an associated company of MVI	<u>3</u>	<u>3</u>

- (c) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits in kind	604	883
Bonus	<u>—</u>	<u>—</u>
	<u>604</u>	<u>883</u>

18 Commitments

At 30 June 2014, the total future minimum office rental lease payments payable under non-cancellable operating leases were as follows:

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Total future minimum office rental lease payments payable:		
— Not later than 1 year	2,225	2,371
— Later than 1 year and not later than 5 years	912	2,149
	3,137	4,520

RESULTS

During the six months ended 30 June 2014, the Group achieved a turnover of approximately HK\$6.5 million, representing an increase of approximately 17.9% as compared to the corresponding period last year. The profit attributable to equity holders of the Company was approximately HK\$25.0 million, as compared to approximately HK\$48.3 million in the corresponding period last year.

DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2014.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

For the six months ended 30 June 2014, due to slow economic growth in China, the operating environment remained challenging during the period under review. Despite this, our operation in Shanghai recorded a steady growth in revenue of approximately HK\$6.5 million, an increase of approximately 17.9% as compared to the corresponding period last year. The gross profit margin of our operation in Shanghai was approximately 66% (2013: approximately 68%). For the period under review, the operation in Shanghai recorded a net profit of approximately HK\$510,000 (2013: a net loss of approximately HK\$111,000). The Group continues to focus on strengthening our existing products and to develop new products.

Investment holding

As at 30 June 2014, 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 semiconductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

During the period under review, the Company did not dispose of any ChipMOS share.

As at 30 June 2014, the quoted market price of ChipMOS was approximately US\$24.13 per share, as compared to approximately US\$19.24 per share as at 31 December 2013. An unrealised gain of approximately HK\$27.64 million was recorded during the period under review due to mark-to-market valuation of the shares.

The quoted market price of ChipMOS as at 18 August 2014 was approximately US\$24.40.

Future plans and prospects

Economic uncertainties and cost inflation continue to be challenging. The Group will continue with its prudent business approach and risk management.

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 our competitive edge in the long run.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the cash and cash equivalents of the Group amounted to approximately HK\$56.5 million (31 December 2013: approximately HK\$59.5 million).

For the six months ended 30 June 2014, the net cash outflow of the Group amounted to approximately HK\$3.0 million (2013: net cash outflow amounted to approximately HK\$4.1 million).

As at 30 June 2014, the Group had no outstanding bank loan and no financing cost was incurred for the six months ended 30 June 2014.

As at 30 June 2014, the Group had short-term bank deposits of approximately HK\$46.1 million (31 December 2013: approximately HK\$36.0 million) which were classified as cash and cash equivalents.

GEARING RATIO

No debt financing had been raised for the period under review.

As at 30 June 2014, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of total assets, was approximately 1.3% (31 December 2013: approximately 2.3%).

FOREIGN CURRENCY EXPOSURE

The Group's results are exposed to exchange fluctuations of Renminbi as the Group has operations in the PRC.

For the period under review, a net exchange loss of approximately HK\$88,000 (2013: gain of approximately HK\$38,000) was recognised in the condensed consolidated interim income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK\$321,000 was debited to the exchange reserve (2013: credit of approximately HK\$68,000).

CAPITAL STRUCTURE

No new capital was raised for the six months ended 30 June 2014. The profit attributable to equity holders for the period of approximately HK\$25.0 million (2013: profit of approximately HK\$48.3 million) was transferred to reserves. As at 30 June 2014, the shareholders' fund was approximately HK\$200.8 million (31 December 2013: approximately HK\$176.1 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK\$561,000 for the six months ended 30 June 2014.

As at 30 June 2014, the Group held shares of ChipMOS at mark-to-market valuation of approximately HK\$136.5 million (31 December 2013: approximately HK\$108.9 million). In addition, the Group held shares of a Hong Kong listed company with mark-to-market valuation of approximately HK\$0.9 million as at 30 June 2014 (31 December 2013: approximately HK\$1.0 million). For the period under review, there was no disposal of ChipMOS shares.

CHARGE ON ASSETS

As at 30 June 2014, the Group had no restricted bank deposits.

SEGMENTAL INFORMATION

For the period under review, Shanghai segment contributed mainly to the Group's business operation. Due to slow economic growth in China, the operating environment remained challenging. Despite this, our operation in Shanghai recorded a steady growth in revenue of approximately 17.9% as compared to the same period last year. However, the gross profit margin of our operation in Shanghai maintained fairly the same as last period at approximately 66%.

HUMAN RESOURCES

As at 30 June 2014, the number of staff of the Group was approximately 35.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2014.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS

During the period under review, there is no change in information of the Directors since the date of the 2013 annual report of the Company which is required to be disclosed pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors who together have substantial experience in auditing, business and regulatory affairs.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

The Company held an annual general meeting on 30 June 2014 (“2014 AGM”).

On or about 16 June 2014, the Company had received a notice from Full Global International Limited (“Full Global”), which according to the register of members of the Company as of 19 June 2014, held approximately 43.3% of the issued share capital of the Company nominating two candidates (“Nominees”) to stand for election as executive directors of the Company in the 2014 AGM. The Company had not received, among other things, (i) the notice in writing by the Nominees of their willingness to be elected as executive directors of the Company, which pursuant to the by-laws of the Company are required to be lodged with the Company at least seven (7) days prior to the AGM; and (ii) the information in relation to the Nominees as required under Rule 13.51(2) of the Listing Rules. As such, the Nominees were not eligible for election as executive directors at the 2014 AGM.

At the 2014 AGM, among other things, all resolutions in relation to (i) re-election of Mr. Yip Chi Hung (“Mr. Yip”) as an Executive Director and Mr. Wong Chi Keung (“Mr. Wong”) as an Independent Non-executive Director (“INED”), and (ii) payment of remuneration to Directors for the year ending 31 December 2014 were not passed as Full Global had voted against such resolutions.

With the non re-election of Mr. Yip (former Chairman of the Company) as an Executive Director, Mr. Yip ceased to be the authorized representative (for the purpose of Rule 3.05 of the Listing Rules) of the Company, and a member of the Remuneration Committee and Nomination Committee of the Company.

No member of the Board is appointed to fill the vacated office of Chairman of the Company and authorized representative (for the purpose of Rule 3.05 of the Listing Rules).

In light of the non re-election of Mr. Wong as an INED at the 2014 AGM, the Board on 2 July 2014 has appointed Mr. Cheng Hok Ming, Albert as Chairman of the Remuneration Committee and Dr. Ma Kwai Yuen as Chairman of the Nomination Committee.

Under Rule 3.10 (1) and (2) and 3.21 of the Listing Rules, the Company must have at least 3 INEDs, 1 of whom must have the appropriate professional qualifications or accounting or related financial management expertise (“Relevant Financial Experience”), and the Audit Committee of the Company must have at least 3 members, and 1 of whom must have the Relevant Financial Experience. With the non re-election of Mr. Wong at the AGM, the Company is not able to fulfil such requirements. The Board would try to approach and discuss with Full Global regarding, among other things, the INED vacancy as without their support, in particular, the agreement to pay reasonable remuneration, it will be difficult for the Company to recruit a replacement INED with the Relevant Financial Experience.

As interim measures and crisis management, the Board has appointed Mr. Yip (former Chairman of the Company) to remain as an Executive Director with effect from 30 June 2014, until the Company reaching an understanding or consensus with Full Global regarding the management and business of the Company.

The Company has received a letter from Mr. Wong claiming for payment of remuneration for the period from 1 January 2014 to 30 June 2014 in the amount of HK\$63,000. The remaining Directors also have concerns that they have not been paid any remuneration since 1 January 2014.

For details, please refer to the Company’s announcements dated 20 June 2014, 24 June 2014, 30 June 2014 and 3 July 2014.

Ms. Lau Lai Yee (“Ms. Lau”) had tendered her resignation as Company Secretary and authorised representative (for the purpose of Rule 3.05 of the Listing Rules) of the Company with effect from 16 July 2014. At the request of the Board, Ms. Lau Lai Yee has agreed to extend her tenure of office of Company Secretary and authorized representative (for the purpose of Rule 3.05 of the Listing Rules) of the Company until a suitable candidate is identified. For further information, please refer to the Company’s announcements dated 20 June 2014 and 15 July 2014.

The Company has adopted the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules throughout the six months period ended 30 June 2014, 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 INEDs 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.

Save as disclosed above, the Company has complied with the adopted code provisions of the Code contained in Appendix 14 to the Listing Rules throughout the six months period ended 30 June 2014.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, after specific enquiry by the Company, which they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

On behalf of the Board
Chen Che Yuan
Chief Executive Officer

Hong Kong, 19 August 2014

As at the date of this announcement, the Board comprises four directors. The executive directors of the Company are Mr. Chen Che Yuan and Mr. Yip Chi Hung and the independent non-executive directors are Mr. Cheng Hok Ming, Albert and Dr. Ma Kwai Yuen.