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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 2009

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 2009.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,061	2,558
Intangible assets		65	212
Long-term deposits		1,630	738
		<u>3,756</u>	<u>3,508</u>
Current assets			
Inventories		16,060	17,304
Trade receivables	4	9,771	10,645
Deposits, prepayments and other receivables		1,425	4,154
Financial assets at fair value through profit or loss	5	23,494	9,905
Restricted cash	6	249	246
Short-term bank deposits	7	49,370	54,900
Cash and cash equivalents	7	30,632	39,744
		<u>131,001</u>	<u>136,898</u>
Total assets		<u>134,757</u>	<u>140,406</u>

* *For identification purpose only*

		As at 31 December	
		2009	2008
	Note	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		134,922	134,922
Other reserves		7,615	8,399
Accumulated losses		(58,493)	(58,843)
		<u>84,044</u>	<u>84,478</u>
Minority interest		<u>35,155</u>	<u>36,638</u>
Total equity		<u>119,199</u>	<u>121,116</u>
LIABILITIES			
Non-current liabilities			
Other payables		<u>1,241</u>	—
		<u>1,241</u>	—
Current liabilities			
Trade payables	8	5,494	8,563
Other payables and accruals		5,199	7,073
Amount due to a related party		<u>3,624</u>	<u>3,654</u>
		<u>14,317</u>	<u>19,290</u>
Total liabilities		<u>15,558</u>	<u>19,290</u>
Total equity and liabilities		<u>134,757</u>	<u>140,406</u>
Net current assets		<u>116,684</u>	<u>117,608</u>
Total assets less current liabilities		<u>120,440</u>	<u>121,116</u>

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2009	2008
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	67,304	88,237
Cost of sales	9	<u>(49,763)</u>	<u>(67,075)</u>
Gross profit		17,541	21,162
Distribution costs	9	(4,148)	(4,384)
General and administrative expenses	9	(30,860)	(32,094)
Other income		2,079	3,761
Other gains/(losses), net	10	<u>12,241</u>	<u>(103,467)</u>
Loss before income tax		(3,147)	(115,022)
Income tax credit	12	<u>329</u>	<u>64</u>
Loss for the year		<u>(2,818)</u>	<u>(114,958)</u>
Attributable to:			
Equity holders of the Company		350	(113,128)
Minority interests		<u>(3,168)</u>	<u>(1,830)</u>
		<u>(2,818)</u>	<u>(114,958)</u>
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (basic and diluted) (HK cents)	11	<u>0.10</u>	<u>(33.61)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(2,818)	(114,958)
Other comprehensive income		
Currency translation differences	<u>901</u>	<u>(92)</u>
Total comprehensive loss for the year	<u>(1,917)</u>	<u>(115,050)</u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(433)	(113,005)
Minority interest	<u>(1,484)</u>	<u>(2,045)</u>
	<u>(1,917)</u>	<u>(115,050)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Employee	Statutory reserve <i>HK\$'000</i>	Retained	Total <i>HK\$'000</i>	Minority interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
				share-based compensation reserve <i>HK\$'000</i>		earnings/ (accumulated losses) <i>HK\$'000</i>			
Balance at 1 January 2008	33,659	101,263	2,505	2,269	2,551	54,616	196,863	40,754	237,617
Currency translation differences	—	—	123	—	—	—	123	(215)	(92)
Loss for the year	—	—	—	—	—	(113,128)	(113,128)	(1,830)	(114,958)
Total comprehensive income/(loss) for the year	<u>—</u>	<u>—</u>	<u>123</u>	<u>—</u>	<u>—</u>	<u>(113,128)</u>	<u>(113,005)</u>	<u>(2,045)</u>	<u>(115,050)</u>
Employee share-based compensation scheme	—	—	—	620	—	—	620	—	620
Transfer to statutory reserve of a subsidiary in Taiwan	—	—	—	—	331	(331)	—	—	—
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	(2,071)	(2,071)
Balance at 31 December 2008	<u><u>33,659</u></u>	<u><u>101,263</u></u>	<u><u>2,628</u></u>	<u><u>2,889</u></u>	<u><u>2,882</u></u>	<u><u>(58,843)</u></u>	<u><u>84,478</u></u>	<u><u>36,638</u></u>	<u><u>121,116</u></u>
Balance at 1 January 2009	<u>33,659</u>	<u>101,263</u>	<u>2,628</u>	<u>2,889</u>	<u>2,882</u>	<u>(58,843)</u>	<u>84,478</u>	<u>36,638</u>	<u>121,116</u>
Currency translation differences	—	—	516	—	—	—	516	385	901
Profit/(loss) for the year	—	—	—	—	—	350	350	(3,168)	(2,818)
Total comprehensive income/(loss) for the year	<u>—</u>	<u>—</u>	<u>516</u>	<u>—</u>	<u>—</u>	<u>350</u>	<u>866</u>	<u>(2,783)</u>	<u>(1,917)</u>
Allocation of statutory reserve to minority interest	—	—	—	—	(1,300)	—	(1,300)	1,300	—
Balance at 31 December 2009	<u><u>33,659</u></u>	<u><u>101,263</u></u>	<u><u>3,144</u></u>	<u><u>2,889</u></u>	<u><u>1,582</u></u>	<u><u>(58,493)</u></u>	<u><u>84,044</u></u>	<u><u>35,155</u></u>	<u><u>119,199</u></u>

1. General information

PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (collectively 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 investment holding. The Company has its listing on The Stock Exchange of Hong Kong Limited.

The Company is a limited liability company incorporated in Bermuda. The address of the principal place of business of the Company is 27th Floor, Cambridge House, Taikoo Place, 979 King’s Road, Island East, Hong Kong.

2. Basis of preparation

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

3. Segment information

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

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

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

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

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

	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2009				
Revenues from external customers	—	59,570	7,734	67,304
Operating profit/(loss)	6,694	(8,175)	(2,567)	(4,048)
Bank interest income	2	805	94	901
Profit/(loss) before income tax	6,696	(7,370)	(2,473)	(3,147)
Income tax credit	—	329	—	329
Profit/(loss) for the year	6,696	(7,041)	(2,473)	(2,818)
Other gains/(loss) — net, included in profit/(loss) for the year	13,205	(960)	(4)	12,241
Depreciation and amortisation, included in profit/(loss) for the year	(270)	(618)	(145)	(1,033)
Capital expenditures	158	8	210	376
As at 31 December 2009				
Assets	39,188	86,512	9,057	134,757
Liabilities	(1,629)	(8,391)	(5,538)	(15,558)
	<i>Hong Kong</i> <i>HK\$'000</i>	<i>Taiwan</i> <i>HK\$'000</i>	<i>PRC</i> <i>HK\$'000</i>	<i>Total</i> <i>HK\$'000</i>
For the year ended 31 December 2008				
Revenues from external customers	—	78,783	9,454	88,237
Operating loss	(110,014)	(4,949)	(1,965)	(116,928)
Bank interest income	70	1,676	160	1,906
Profit/(loss) for the year	(109,944)	(3,273)	(1,805)	(115,022)
Income tax credit/(expense)	812	(748)	—	64
Loss for the year	(109,132)	(4,021)	(1,805)	(114,958)
Other gains/(losses) — net, included in profit/(loss) for the year	(103,796)	306	23	(103,467)
Depreciation and amortisation, included in profit/(loss) for the year	(311)	(892)	(144)	(1,347)
Capital expenditures	28	169	74	271
As at 31 December 2008				
Assets	32,605	96,161	11,640	140,406
Liabilities	(1,741)	(11,854)	(5,695)	(19,290)

4. Trade receivables

	Group	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Trade receivables	9,771	10,645
Less: provision for impairment of receivables	—	—
	<u>9,771</u>	<u>10,645</u>
Trade receivables, net	<u>9,771</u>	<u>10,645</u>

As at 31 December 2009, none of the trade receivables was past due but not impaired. As at 31 December 2008, trade receivables of approximately HK\$622,000 was past due but not impaired. These were related to a number of customers with no history of credit default and they are in continuous trading with the Group. Based on past experience, and management believes that no impairment provision was necessary in respect of these balances as there has not been a significant change in credit quality of these customers.

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

	Group	
	2009	2008
	HK\$'000	<i>HK\$'000</i>
Current	9,771	10,023
1 — 30 days	—	622
	<u>9,771</u>	<u>10,645</u>
Denominated in:		
— US\$	7,667	8,939
— NTD	2,104	1,706
	<u>9,771</u>	<u>10,645</u>

The carrying values of trade receivables approximate their fair values as at 31 December 2009 (2008: same).

5. Financial assets at fair value through profit or loss

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Listed equity securities in				
— United States of America	17,772	6,293	17,772	6,293
— Hong Kong	5,722	3,612	—	—
	<u>23,494</u>	<u>9,905</u>	<u>17,772</u>	<u>6,293</u>
Market value of listed securities	<u>23,494</u>	<u>9,905</u>	<u>17,772</u>	<u>6,293</u>

6. Restricted cash

	Group	
	2009	2008
	HK\$'000	HK\$'000
Restricted cash	<u>249</u>	<u>246</u>
Denominated in:		
— NTD	<u>249</u>	<u>246</u>

As at 31 December 2009, restricted cash represented bank deposits pledged to secure the payment of value-added tax as required by the Taiwan Tax Bureau. The amount was denominated in New Taiwan dollar and carried an effective interest rate of 1.70% per annum (2008: 1.70% per annum).

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

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank	23,558	18,470	7,084	1,863
Term deposits with original maturities of three months or less (<i>Note a</i>)	6,926	21,140	54	9,330
Cash on hand	<u>148</u>	<u>134</u>	<u>—</u>	<u>4</u>
Cash and cash equivalents	30,632	39,744	7,138	11,197
Short-term bank deposits with original maturities of over three months (<i>Note a</i>)	<u>49,370</u>	<u>54,900</u>	<u>—</u>	<u>—</u>
Total	<u>80,002</u>	<u>94,644</u>	<u>7,138</u>	<u>11,197</u>
Denominated in:				
— HK\$	13,838	20,740	7,084	11,143
— US\$	24,249	2,827	54	54
— NTD	35,962	62,651	—	—
— RMB (<i>Note b</i>)	<u>5,953</u>	<u>8,426</u>	<u>—</u>	<u>—</u>
	<u>80,002</u>	<u>94,644</u>	<u>7,138</u>	<u>11,197</u>

Note:

- (a) The effective interest rate on term deposits was 0.80% (2008: 1.64%).
- (b) At 31 December 2009, funds of the Group amounting to RMB5,202,000 are kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2008: RMB7,469,000).

8. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<u>5,494</u>	<u>8,563</u>

The carrying amounts of trade payables approximate their fair value as at 31 December 2009 (2008: same).

9. Expenses by nature

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	47,115	63,932
Amortisation of intangible assets	149	387
Auditors' remuneration	1,323	1,612
Depreciation of property, plant and equipment	884	960
Operating lease rentals in respect of buildings	4,083	4,654
Reversal of provision for impairment of trade receivables	—	(16)
Provision for inventories	13	513
Research and development costs	747	1,566
Marketing costs	2,054	1,595
Employee benefit expenses	21,276	21,240
Provision for prepaid value-added tax	814	—
Other expenses	<u>6,313</u>	<u>7,110</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>84,771</u>	<u>103,553</u>

10. Other gains/(losses), net

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

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profits or loss:		
— unrealised fair value gains/(losses)	13,206	(103,796)
Exchange (loss)/gain, net	<u>(965)</u>	<u>329</u>
Other gains/(losses), net	<u>12,241</u>	<u>(103,467)</u>

11. Earnings/(loss) per share

(a) Basic

The calculation of basic earnings/(loss) per share for the year ended 31 December 2009 is based on the consolidated profit/(loss) attributable to the equity holders of the Company of approximately HK\$350,000 (2008: net loss of HK\$113,128,000) and 336,587,142 shares (2008: 336,587,142 shares) in issue during the year. Details of basic earnings/(loss) per share are analysed as follows:

	2009 <i>HK cents</i>	2008 <i>HK cents</i>
Basic earnings/(loss) per share	<u><u>0.10</u></u>	<u><u>(33.61)</u></u>

(b) Diluted

The Company has no share option schemes. The Company's subsidiary has employee share options outstanding as at 31 December 2009 (2008: same). The employee share options of this subsidiary outstanding as at 31 December 2009 (2008: same) did not have a dilutive effect on the earnings per share of the Company.

12. Income tax credit

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current income tax		
— Overseas income tax expense	—	(351)
— Refund of dividend withholding tax	329	1,163
Deferred income tax	<u>—</u>	<u>(748)</u>
	<u><u>329</u></u>	<u><u>64</u></u>

RESULTS

For the year ended 31 December 2009, the Group achieved a turnover of approximately HK\$67.3 million, as compared to that of last year of approximately HK\$88.2 million. The profit attributable to shareholders amounted to approximately HK\$0.35 million, as compared to that of last year a loss of approximately HK\$113.1 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2009.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

The effect of worldwide economic downturn continued to affect the business during the year under review, though there was some improvement in customers demand in the second half of the year. The turnover of the Group reduced to approximately HK\$67.3 million for the year ended 31 December 2009 as compared to that of approximately HK\$88.2 million for the year ended 31 December 2008. The Group recorded a gross profit of approximately HK\$17.5 million as compared to approximately HK\$21.2 million for the year ended 31 December 2008.

For the year under review, due to decrease in customers demand, the operation in Shanghai recorded a turnover of approximately HK\$7.7 million as compared to approximately HK\$9.5 million for the year ended 31 December 2008. Gross profit margin improved at approximately 61% as compared to approximately 57% for the year ended 31 December 2008. The Shanghai operation recorded a net loss of approximately HK\$2.5 million for the current year under review as compared to a net loss of approximately HK\$1.8 million for the last year.

The turnover of the Group's operation in Taiwan also reduced to approximately HK\$59.6 million for the current year under review from approximately HK\$78.8 million last year. The gross profit margin improved from approximately 20% to approximately 22%. Suffered from weak customers demand, the operation in Taiwan recorded a loss before tax of approximately HK\$7.0 million for the current year under review as compared to a loss before tax of approximately HK\$3.3 million for the last year.

Investment holding

As at 31 December 2009, the Company held approximately 3.2 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

As at 31 December 2009, the closing market price of ChipMOS was US\$0.71 as compared to US\$0.25 as at 31 December 2008. Consequently, an unrealized gain of approximately HK\$11.6 million was recorded due to mark to market valuation of the shares for the year under review.

In December 2009, we announced that the Company would invest US\$1.5 million in a 5-year convertible bond issued by ChipMOS which bears an interest of 8% per annum with a conversion price of US\$1.25 per share of ChipMOS. In 2008 and 2009, the performance of ChipMOS was adversely affected by the global financial crisis. With the recovery of the DRAM industry, the business and financial position of ChipMOS has been improving. We consider that it is a good opportunity to further invest in ChipMOS as the convertible bond bears an attractive interest income when compared to other similar investments and has a relatively low conversion price as compared to the share price of ChipMOS before the financial crisis. The transaction was completed on 8 March 2010.

The Group also held listed securities in Hong Kong with market valuation of approximately HK\$5.7 million as at 31 December 2009.

FUTURE PLANS AND PROSPECTS

We shall continue to focus our efforts on our current main business in design and distribution of integrated circuit products. With improvement in worldwide economy especially in China, we expect the Group's performance to improve in the coming year. Research and development activities are underway to improve our existing products and developing new products in order to strengthen our competitive edge in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The cash and cash equivalents of the Group amounted to approximately HK\$30.6 million as at 31 December 2009 as compared to approximately HK\$39.7 million as at 31 December 2008.

For the year under review, the group recorded a net outflow in cash and cash equivalents of approximately HK\$9.3 million, which included outflows of approximately HK\$15.7 million from operating activities.

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 11.5% as at 31 December 2009 (2008: approximately 13.7%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2009, the total liabilities (mainly trade payables) of the Group were approximately HK\$15.6 million (2008: approximately HK\$19.0 million).

Foreign currency exposure

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

For the year ended 31 December 2009, a net exchange loss of approximately HK\$1.0 million (2008: net exchange gain of approximately HK\$0.3 million) was recognized in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK\$0.9 million were credited to exchange reserve.

Capital structure

The profit attributable to shareholders for the year ended 31 December 2009 of approximately HK\$0.35 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 2009, the shareholders' fund amounted to approximately HK\$84.0 million (2008: approximately HK\$84.5 million).

Investments and capital assets

The Company held approximately 3.2 million shares of ChipMOS which is listed on NASDAQ. On 12 March 2010, the closing market price of ChipMOS was US\$0.74.

In December 2009, the Company announced that it would invest US\$1.5 million in a 5-year convertible bond issued by ChipMOS with an interest income of 8% per annum and has a conversion price of US\$1.25 per share of ChipMOS. The conditions precedent in the purchase agreement included, among others, that the Company has obtained approval from its shareholders of the purchase agreement and that the Company's purchase of the convertible bond is in compliance with applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange. For further details of the conditions precedent and other details of the transaction, please refer to the Company's circular dated 11 January 2010. A special shareholders' meeting was held on 9 February 2010 for approving the transaction. The transaction was completed on 8 March 2010.

Assuming that there are no other changes in the share capital of ChipMOS, 1,200,000 shares of ChipMOS will be issued to the Company upon conversion, representing approximately 1.4% of the entire issued share capital of ChipMOS as enlarged by the issue of the ChipMOS shares converted. The Company's interest in ChipMOS will be increased to approximately 5.2% of the entire issued share capital of ChipMOS as enlarged by the issue of the ChipMOS shares converted.

For the year under review, the Group acquired Hong Kong listed equity securities of approximately HK\$0.4 million (2008: approximately HK\$1.4 million) as well as fixed assets and intangible assets of approximately HK\$0.4 million (2008: approximately HK\$0.3 million).

Charges on assets

As at 31 December 2009, restricted cash amounted to approximately HK\$0.2 million (2008: approximately HK\$0.2 million) which was mainly for securing payment of value-added tax as required by the government in Taiwan.

Segment information

For the year under review, approximately 89% of turnover of the Group was generated from the Group's operation in Taiwan. The Taiwan operations recorded a loss of approximately HK\$7.0 million (2008: loss of approximately HK\$4.0 million), while the operations in Shanghai recorded a loss of approximately HK\$2.5 million (2008: loss of approximately HK\$1.8 million).

Human resources

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.

In 2006, an employee share option scheme was established by the Company's subsidiary in Taiwan, 新茂國際科技股份有限公司, to retain high-calibre employees. All options expired on 31 December 2009.

The headcount of the Group as at 31 December 2009 was approximately 84 (2008: approximately 88).

Contingent liabilities

No material contingent liabilities of the Group were noted as at 31 December 2009.

Subsequent event

On 18 December 2009, the Company and ChipMOS entered into a purchase agreement, pursuant to which ChipMOS will issue to the Company and the Company will acquire a convertible bond to be issued by ChipMOS with a principal amount of US\$1,500,000, subject to the terms and conditions contained therein. The conditions precedent in the purchase agreement included, among others, that the Company has obtained approval from its shareholders of the purchase agreement and that the Company's purchase of the convertible bond is in compliance with applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange. For further details of the conditions precedent and other details of the transaction, please refer to the Company's circular dated 11 January 2010.

On 9 February 2010, a special shareholders' meeting of the Company was convened to approve the purchase agreement. All the conditions precedent in the purchase agreement were thereby fulfilled and the transaction was completed on 8 March 2010. Assuming that there are no other changes in the share capital of ChipMOS, 1,200,000 shares of ChipMOS will be issued to the Company upon conversion, representing approximately 1.4% of the entire issued share capital of ChipMOS as enlarged by the issue of the ChipMOS shares converted. The Company's interest in ChipMOS will be increased to approximately 5.2% of the entire issued share capital of ChipMOS as enlarged by the issue of the ChipMOS shares converted.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

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

Code A.4.1

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

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

Code A.4.2

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

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2009, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive directors, namely Messrs. Wong Chi Keung (Chairman), Cheng Hok Ming, Albert and Ma Kwai Yuen. Its primary responsibilities include reviewing and supervising the Company's financial reporting process and internal control systems. The Audit Committee and the management have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of unaudited interim financial information and draft annual financial statements with the Company's management. The Audit Committee has reviewed the draft consolidated financial statements of the Group for the year ended 31 December 2009.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 15 March 2010

Compositions of the Board of Directors as at 15 March 2010

Executive directors:

Mr. Yip Chi Hung

Mr. Chen Che Yuan

Independent non-executive directors:

Mr. Wong Chi Keung

Mr. Cheng Hok Ming, Albert

Mr. Ma Kwai Yuen