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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 2011

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 2011.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,153	2,053
Intangible assets		—	426
Long-term deposits		1,138	1,427
		3,291	3,906
Current assets			
Inventories		2,540	20,207
Trade and bills receivables	4	1,435	9,016
Deposits, prepayments and other receivables		1,133	3,381
Financial assets at fair value through profit or loss	5	37,330	53,818
Restricted cash	6	—	275
Short-term bank deposits	7	—	34,843
Cash and cash equivalents	7	29,837	32,418
		72,275	153,958
Assets of a subsidiary classified as held for sale	8(a)	42,609	—
		114,884	153,958
Total assets		118,175	157,864

* For identification purpose only

		As at 31 December	
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		134,922	134,922
Other reserves		7,090	9,081
Accumulated losses		<u>(59,789)</u>	<u>(40,714)</u>
		<u>82,223</u>	<u>103,289</u>
Non-controlling interests		<u>14,669</u>	<u>35,688</u>
Total equity		<u>96,892</u>	<u>138,977</u>
LIABILITIES			
Non-current liabilities			
Other payables		<u>973</u>	<u>520</u>
Current liabilities			
Trade payables	9	149	4,608
Other payables and accruals		6,595	9,947
Amount due to a related party		<u>3,555</u>	<u>3,812</u>
		<u>10,299</u>	<u>18,367</u>
Liabilities of a subsidiary classified as held for sale	8(b)	<u>10,011</u>	<u>—</u>
		<u>20,310</u>	<u>18,367</u>
Total liabilities		<u>21,283</u>	<u>18,887</u>
Total equity and liabilities		<u>118,175</u>	<u>157,864</u>
Net current assets		<u>94,574</u>	<u>135,591</u>
Total assets less current liabilities		<u>97,865</u>	<u>139,497</u>

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated <i>(Note 3)</i>
Continuing operations			
Revenue	3	12,436	11,031
Cost of sales	10	<u>(3,962)</u>	<u>(3,842)</u>
Gross profit		8,474	7,189
Distribution costs	10	(25)	(30)
General and administrative expenses	10	(19,625)	(16,697)
Other income		782	973
Other (losses)/gains, net	12	<u>(6,291)</u>	<u>27,055</u>
(Loss)/profit before income tax		(16,685)	18,490
Income tax expense	11	<u>(144)</u>	<u>(45)</u>
(Loss)/profit for the year from continuing operations		(16,829)	18,445
Discontinued operations			
Loss for the year from discontinued operations	8(d)	<u>(4,085)</u>	<u>(6,465)</u>
(Loss)/profit for the year		<u>(20,914)</u>	<u>11,980</u>
Attributable to:			
Equity holders of the Company		(19,075)	14,890
Non-controlling interests		<u>(1,839)</u>	<u>(2,910)</u>
		<u>(20,914)</u>	<u>11,980</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company — basic and diluted	13		
From continuing operations		(5.00)	5.48
From discontinued operations		<u>(0.67)</u>	<u>(1.06)</u>
		<u>(5.67)</u>	<u>4.42</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
		Restated (Note 3)
(Loss)/profit for the year	(20,914)	11,980
Other comprehensive (loss)/income		
Currency translation differences	<u>(5,095)</u>	<u>7,798</u>
Total comprehensive (loss)/income for the year	<u>(26,009)</u>	<u>19,778</u>
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company	<u>(21,066)</u>	19,245
Non-controlling interests	<u>(4,943)</u>	533
Total comprehensive (loss)/income for the year	<u>(26,009)</u>	<u>19,778</u>
Total comprehensive (loss)/income attributable to equity holders of the Company arise from:		
Continuing operations	<u>(15,025)</u>	18,594
Discontinued operations	<u>(6,041)</u>	651
	<u>(21,066)</u>	<u>19,245</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Employee share-based compensation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2010	134,922	3,144	2,889	1,582	(58,493)	84,044	35,155	119,199
Profit for the year	—	—	—	—	14,890	14,890	(2,910)	11,980
Currency translation differences	—	4,355	—	—	—	4,355	3,443	7,798
Total comprehensive income for the year	—	4,355	—	—	14,890	19,245	533	19,778
Share options expired	—	—	(2,889)	—	2,889	—	—	—
Balance at 31 December 2010	<u>134,922</u>	<u>7,499</u>	<u>—</u>	<u>1,582</u>	<u>(40,714)</u>	<u>103,289</u>	<u>35,688</u>	<u>138,977</u>
Balance at 1 January 2011	<u>134,922</u>	<u>7,499</u>	<u>—</u>	<u>1,582</u>	<u>(40,714)</u>	<u>103,289</u>	<u>35,688</u>	<u>138,977</u>
Loss for the year	—	—	—	—	(19,075)	(19,075)	(1,839)	(20,914)
Currency translation differences	—	(1,991)	—	—	—	(1,991)	(3,104)	(5,095)
Total comprehensive loss for the year	—	(1,991)	—	—	(19,075)	(21,066)	(4,943)	(26,009)
Capital reduction in a subsidiary classified as held for sale (<i>Note 8</i>)	—	—	—	—	—	—	(16,076)	(16,076)
Balance at 31 December 2011	<u>134,922</u>	<u>5,508</u>	<u>—</u>	<u>1,582</u>	<u>(59,789)</u>	<u>82,223</u>	<u>14,669</u>	<u>96,892</u>

1. General information

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

On 2 December 2011, the Group entered into an agreement with On-Bright Electronics Incorporated to dispose of its entire equity interest in SyncMOS Technologies International Inc. (“SyncMOS Technologies”). The transaction was completed subsequently on 16 January 2012 (Note 8).

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2012.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

3. Segment information

The Group is principally engaged in the design, distribution and trading of integrated circuits and semi-conductor parts in Taiwan and the People’s Republic of China (the “PRC”), and investments holding.

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

- (i) corporate administration and investment functions performed by the Hong Kong headquarters;
- (ii) design and sales of micro-controller units used in a wide range of electronic products conducted through the Group’s subsidiary in Taiwan, namely SyncMOS Technologies International, Inc. (“SyncMOS Technologies”); and
- (iii) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group’s subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited.

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

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

On 2 December 2011, the Group entered into an agreement to dispose of its entire equity interest in SyncMOS Technologies and the results of SyncMOS Technologies have been presented as discontinued operations (Note 8). Comparative figures of the Group's segment information have been restated accordingly.

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

	Continuing Operations			Discon- tinued Operations	Total HK\$'000
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000	Taiwan HK\$'000	
For the year ended 31 December 2010					
Revenues from external customers	—	11,031	11,031	75,658	86,689
Operating profit/(loss)	17,429	229	17,658	(6,907)	10,751
Interest income	760	72	832	442	1,274
Profit/(loss) before income tax	18,189	301	18,490	(6,465)	12,025
Income tax expense	—	(45)	(45)	—	(45)
Profit/(loss) for the year	18,189	256	18,445	(6,465)	11,980
Other gains/(losses) — net, included in results for the year	27,071	(16)	27,055	(1,892)	25,163
Depreciation and amortisation, included in results for the year	129	157	286	594	880
Capital expenditures	27	147	174	901	1,075
As at 31 December 2010					
Segment assets	59,457	9,942	69,399	88,465	157,864
Segment liabilities	(3,580)	(6,019)	(9,599)	(9,288)	(18,887)

For the year ended 31 December 2011, revenues of approximately HK\$28,269,000 (for the year ended 31 December 2010: HK\$29,364,000) are derived from a single external customer. These revenues are attributable to the Taiwan segment.

4. Trade and bills receivables

	Group	
	2011 HK\$'000	2010 HK\$'000
Trade receivables	178	9,016
Bills receivables	1,257	—
Less: provision for impairment of receivables	—	—
Trade and bills receivables, net	1,435	9,016

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

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	101	9,016
1 — 30 days	<u>77</u>	<u>—</u>
	<u>178</u>	<u>9,016</u>

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

As at 31 December 2011, bills receivables of HK\$1,257,000 (2010: Nil) will mature as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 — 30 days	62	—
31 — 90 days	—	—
91 — 180 days	579	—
Over 180 days	<u>616</u>	<u>—</u>
	<u>1,257</u>	<u>—</u>

5. Financial assets at fair value through profit or loss

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities in		
— The United States of America	36,663	34,268
— Hong Kong	<u>667</u>	<u>890</u>
Market value of listed securities	37,330	35,158
Investment in unlisted securities (<i>Note a</i>)	<u>—</u>	<u>18,660</u>
	<u>37,330</u>	<u>53,818</u>

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

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

Note a:

In March 2010, the Group acquired convertible bonds issued by ChipMOS Technologies (Bermuda) Ltd. (“ChipMOS”) with a principal amount of US\$1.5 million which were not traded on an active market. The convertible bonds carry interest at 8% per annum and the holders are entitled to convert all or part of the principal amount into ordinary shares of the issuer at a conversion price of US\$1.25 each, subject to anti-dilution adjustments, at any time before the tenth business day prior to 8 March 2015 (the “Maturity Date”) (“Discretionary Conversion”). In addition, at any time after the issuance date, if (i) the closing price of the ChipMOS shares exceeds 150% of the conversion price in effect for 20 consecutive trading days ending on the trading day immediately preceding the date on which ChipMOS delivers a written notice thereof to holder(s) of the convertible bonds; and (ii) the average daily trading volume of the ChipMOS shares over the aforementioned period equals or exceeds 0.1% of the then outstanding ChipMOS shares, ChipMOS shall have the right to elect to automatically convert some or all of the outstanding principal amount of the convertible bonds (“Compulsory Conversion”). Upon the Compulsory Conversion and/or the Discretionary Conversion, holders of the convertible bonds are entitled to receive the present value of the interest that would have accrued at an interest rate of 8% per annum with respect to the convertible bonds being converted for the period from the applicable date of conversion to the Maturity Date. ChipMOS can choose to pay the interest in cash or in shares of ChipMOS, or a combination of both. In addition, ChipMOS has the right to redeem the principal amount or any part of the outstanding principal amount at any time. Any convertible bonds not converted before the Maturity Date will be redeemed at 100 per cent of its principal amount on the Maturity Date.

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

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

6. Restricted cash

	Group	
	2011	2010
	HK\$'000	HK\$'000
Restricted cash	—	275

As at 31 December 2010, restricted cash represented bank deposits pledged to secure the payment of value added tax as required by the Taiwan Tax Bureau. As at 31 December 2010, the amount carried an effective interest rate of 0.7% per annum. As at 31 December 2011, the amount has been reclassified as held for sale (Note 8).

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
Cash at bank (<i>Note a</i>)	29,776	14,364
Term deposits with original maturities of three months or less (<i>Note b</i>)	54	17,901
Cash on hand	<u>7</u>	<u>153</u>
Cash and cash equivalents	29,837	32,418
Short-term bank deposits with original maturities over three months (<i>Note b</i>)	<u>—</u>	<u>34,843</u>
Total	<u>29,837</u>	<u>67,261</u>

Note:

- (a) As at 31 December 2011, funds of the Group denominated in RMB amounting to HK\$5,065,000 were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2010: HK\$5,897,000).
- (b) As at 31 December 2011, the effective interest rate on term deposits was 1.95% (2010: 1.06%).

8. Subsidiary held for sale and discontinued operations

The assets and liabilities related to SyncMOS Technologies have been presented as held for sale on 2 December 2011, following the Group entering into an agreement with On-Bright Electronics Incorporated to dispose of its entire equity interest in SyncMOS Technologies. The transaction was completed subsequently on 16 January 2012 (the “Disposal”).

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

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Property, plant and equipment	675	—
Long-term deposits	270	—
Inventories	15,751	—
Trade receivables	9,173	—
Deposits, prepayments and other receivables	705	—
Restricted cash	264	—
Short-term bank deposits with original maturities over three months	1,214	—
Cash and cash equivalents	<u>14,557</u>	<u>—</u>
Total	<u><u>42,609</u></u>	<u><u>—</u></u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade payables	6,092	—
Other payables and accruals	3,540	—
Amounts due to related parties	<u>379</u>	<u>—</u>
Total	<u><u>10,011</u></u>	<u><u>—</u></u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Currency translation differences	<u>5,437</u>	<u>12,335</u>
Total	<u><u>5,437</u></u>	<u><u>12,335</u></u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	69,585	75,658
Other income	681	558
Other gains/(losses), net	1,198	(1,892)
Expenses	(75,549)	(80,789)
	<hr/>	<hr/>
Loss before income tax from discontinued operations	(4,085)	(6,465)
Income tax expense	—	—
	<hr/>	<hr/>
Loss after tax from discontinued operations	(4,085)	(6,465)
	<hr/> <hr/>	<hr/> <hr/>
Loss for the year from discontinued operations attributable to:		
— Equity holders of the Company	(2,246)	(3,555)
— Non-controlling interests	(1,839)	(2,910)
	<hr/>	<hr/>
Loss for the year from discontinued operations	(4,085)	(6,465)
	<hr/> <hr/>	<hr/> <hr/>

9. Trade payables

The ageing analysis of trade payables is as follows:

	Group	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current	149	4,608
	<hr/> <hr/>	<hr/> <hr/>

10. Expenses by nature

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated (Note 3)
From continuing operations:		
Cost of inventories sold	3,962	3,842
Auditors' remuneration	1,394	1,385
Depreciation of property, plant and equipment	454	286
Operating lease rentals in respect of properties	3,858	2,548
Research and development costs	702	246
Marketing costs	25	29
Employee benefit expenses	6,815	6,165
Other expenses	6,402	6,068
	<u>23,612</u>	<u>20,569</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>23,612</u>	<u>20,569</u>

11. Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated (Note 3)
Current income tax		
— Overseas income tax expense	(144)	(45)

12. Other (losses)/gains, net

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> Restated (Note 3)
Financial assets at fair value through profit or loss:		
— realised gains	2,855	2,001
— unrealised fair value (losses)/gains	(9,127)	24,994
Exchange (losses)/gains, net	(19)	60
Other (losses)/gains, net	<u>(6,291)</u>	<u>27,055</u>

13. (Loss)/earnings per share

(a) Basic

The calculation of basic earnings per share for the year ended 31 December 2011 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.

	2011 HK\$'000	2010 HK\$'000 Restated (Note 3)
(Loss)/profit attributable to equity holders of the Company		
— Continuing operations	(16,829)	18,445
— Discontinued operations	(2,246)	(3,555)
	<u>(19,075)</u>	<u>14,890</u>
(Loss)/profit attributable to equity holders of the Company		
	<u>(19,075)</u>	<u>14,890</u>
Weighted average number of ordinary shares in issue (thousands)	<u>336,587</u>	<u>336,587</u>
	HK cents	HK cents
Basic (loss)/earnings per share		
— Continuing operations	(5.00)	5.48
— Discontinued operations	(0.67)	(1.06)
	<u>(5.67)</u>	<u>(1.06)</u>

(b) Diluted

The Company has no share option schemes. A subsidiary of the Company had employee share options, but these expired on 1 January 2010. For the year ended 31 December 2010, these employee share options did not have a dilutive effect on earnings per share of the Company while they were still outstanding. During the year ended 31 December 2011, the Company did not have any potential dilutive ordinary shares.

14. Event after reporting period

On 16 January 2012, the Group completed its disposal of its entire interest in SyncMOS Technologies. After the completion, SyncMOS Technologies ceased to be a subsidiary of the Group. An estimated gain of approximately HK\$13 million is expected to be recognised in the consolidated income statement of the Group during the year ending 31 December 2012.

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 2011.

For the year ended 31 December 2011, the Group (including its continuing operations and discontinued operations) achieved a turnover of approximately HK\$82.0 million, as compared to that of last year of approximately HK\$86.7 million. The loss attributable to equity holders of the Company amounted to approximately HK\$19.1 million, as compared to the profit of last year of approximately HK\$14.9 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2011.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

For the year ended 31 December 2011, the turnover of the Group’s operation in Taiwan decreased to approximately HK\$69.6 million as compared to approximately HK\$75.7 million last year. It recorded a gross profit of approximately HK\$17.1 million as compared to approximately HK\$17.9 million last year. Due to the continuing soft demand from customers, the operation in Taiwan recorded a net loss of approximately HK\$4.1 million for the current year under review as compared to a net loss of approximately HK\$6.5 million for the last year.

The Taiwan operation has been suffering losses for the past three years. The business outlook for the design and distribution of integrated circuits and semiconductor parts in the Taiwan market is overshadowed by the increase in market competition amongst the players in the industry, which has significantly been affecting the demand for its products. As a result, the management decided to dispose the business. An agreement was finally entered into on 2 December 2011 to dispose the whole Taiwan business at a consideration of NT\$106,870,500.

The operation in Shanghai recorded a turnover of approximately HK\$12.4 million for the year ended 31 December 2011 as compared to approximately HK\$11.0 million for the year ended 31 December 2010. The operation in Shanghai recorded a gross profit of approximately HK\$8.5 million as compared to approximately HK\$7.2 million for the year ended 31 December 2010. The operation recorded a net profit of approximately HK\$0.7 million for the current year under review as compared to a net profit of approximately HK\$0.3 million for the last year.

Investment holding

As at 31 December 2011, the Company held approximately 0.9 million shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

On 8 March 2010, the Company purchased from ChipMOS convertible bonds of US\$1.5 million with a conversion price of US\$5.00 per share of ChipMOS. On 19 April 2011, ChipMOS exercised its right to effect a conversion of the convertible bonds for the full amount of US\$1.5 million. The aggregate number of shares of ChipMOS obtained by the Company was 351,734.

During the year, the Company disposed on the NASDAQ 165,752 shares of ChipMOS with an average price of approximately US\$8.3 per share. Sale proceeds obtained by the Company were approximately HK\$10.8 million with a realized gain of approximately HK\$2.9 million.

As at 31 December 2011, the closing market price of ChipMOS was US\$5.16 as compared to US\$6.12 as at 31 December 2010. Consequently, an unrealized loss of approximately HK\$8.9 million was recorded due to mark-to-market valuation of the shares held for the year under review.

FUTURE PLANS AND PROSPECTS

The Group intends to apply the net proceeds from the disposal of the Taiwan operation for the expansion of its business operations in Shanghai, investment opportunities which may arise from time to time and as general working capital. We shall continue to focus our efforts on our current main business in the design and distribution of integrated circuit products. We will continue to carry out research and development works to improve our existing products and develop new products in order to strengthen our competitive edge in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31 December 2011, the cash and cash equivalents of the Group amounted to approximately HK\$44.4 million as compared to approximately HK\$32.4 million as at 31 December 2010. As at 31 December 2011, the Group also held short-term bank deposits of approximately HK\$1.2 million (2010: approximately HK\$34.8 million).

For the year ended 31 December 2011, the Group recorded a net increase in cash and cash equivalents of approximately HK\$12 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 18.0% as at 31 December 2011 (2010: approximately 12.0%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2011, the total liabilities of the Group were approximately HK\$21.3 million (2010: approximately HK\$18.9 million).

Foreign currency exposure

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

For the year ended 31 December 2011, a net exchange gain of approximately HK\$1.2 million (2010: loss of approximately HK\$1.8 million) was recognized in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK\$2.0 million were debited to exchange reserve (2010: approximately HK\$4.3 million credited).

Capital structure

The loss attributable to equity holders of the Company for the year ended 31 December 2011 of approximately HK\$19.1 million (2010: profit of approximately HK\$14.9 million) was transferred to accumulated losses of the Company. There was no change in the capital of the Company for the year under review. As at 31 December 2011, total equity amounted to approximately HK\$96.9 million (2010: approximately HK\$139.0 million).

Investments and capital assets

The Company held approximately 0.9 million shares of ChipMOS. The closing market price of ChipMOS was US\$5.16 per share as at 31 December 2011. On 1 March 2012, the closing market price of ChipMOS was US\$12.41.

As at 31 December 2011, the Group also held shares of Hong Kong listed companies amounted to approximately HK\$0.7 million (2010: approximately HK\$0.9 million).

On 2 December 2011, the Group entered into an agreement with a purchaser to dispose the Group's entire 55% shareholding held in SyncMOS Technologies International Inc. ("SyncMOS Technologies"), the Group's non wholly owned subsidiary in Taiwan, at a consideration of NT\$106,870,500. A shareholders meeting of the Company was held on 10 January 2012 to approve the transaction, and the disposal was finally completed on 16 January 2012. An estimated gain of approximately HK\$13 million is expected to be recognized in the consolidated income statement of the Group during the year ending 31 December 2012. In view of the disposal, the assets and liabilities of SyncMOS Technologies have been presented as held for sale in the consolidated financial statements.

Charges on assets

As at 31 December 2011, SyncMOS Technologies had restricted bank deposits of approximately HK\$0.3 million (2010: approximately HK\$0.3 million) which were mainly held for the purpose of securing payment of value added tax.

Segment information

For the year ended 31 December 2011, approximately 85% of the turnover of the Group was generated from the Group's operation in Taiwan which have been presented as discontinued operation in the consolidated financial statements. The operation in Taiwan recorded a loss of approximately HK\$4.1 million (2010: loss of approximately HK\$6.5 million), while the operation in Shanghai recorded a profit of approximately HK\$0.7 million (2010: approximately HK\$0.3 million) and the operation in Hong Kong recorded a loss of approximately HK\$17.6 million (2010: a profit of approximately HK\$18.2 million).

Human resources

The headcount of the Group as at 31 December 2011 was approximately 89 (2010: approximately 90).

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 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

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

Code A.4.1

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

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

Code A.4.2

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

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

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2011, 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 2011 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 Messrs. Wong Chi Keung (Chairman), 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 adopted by the Group and discussed auditing, internal control and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2011.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 2 March 2012

Compositions of the Board of Directors as at 2 March 2012

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