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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 2012

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 2012.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	<i>Note</i>	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	2,120	2,153
Long-term deposits		978	1,138
		<u>3,098</u>	<u>3,291</u>
Current assets			
Inventories		2,935	2,540
Trade and bills receivables	<i>12</i>	1,155	1,435
Deposits, prepayments and other receivables		1,346	1,133
Financial assets at fair value through profit or loss	<i>13</i>	72,989	37,330
Cash and cash equivalents	<i>14</i>	52,130	29,837
		<u>130,555</u>	<u>72,275</u>
Assets of a subsidiary classified as held for sale		—	42,609
		<u>130,555</u>	<u>114,884</u>
Total assets		<u><u>133,653</u></u>	<u><u>118,175</u></u>

* For identification purpose only

	<i>Note</i>	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>15</i>	134,922	134,922
Other reserves		973	7,090
Accumulated losses		(8,951)	(59,789)
		126,944	82,223
Non-controlling interests		—	14,669
Total equity		126,944	96,892
LIABILITIES			
Non-current liabilities			
Other payables		965	973
Current liabilities			
Trade payables	<i>16</i>	—	149
Other payables and accruals		2,220	6,595
Amount due to a related company	<i>18(b)</i>	3,524	3,555
		5,744	10,299
Liabilities of a subsidiary classified as held for sale		—	10,011
		5,744	20,310
Total liabilities		6,709	21,283
Total equity and liabilities		133,653	118,175
Net current assets		124,811	94,574
Total assets less current liabilities		127,909	97,865

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2012	2011
		HK\$'000	HK\$'000
			Restated (<i>Note 5</i>)
Continuing operations			
Revenue	5	5,928	6,740
Cost of sales	6	<u>(1,929)</u>	<u>(2,250)</u>
Gross profit		3,999	4,490
Distribution costs	6	(12)	(9)
General and administrative expenses	6	(8,168)	(8,171)
Other income		233	220
Other gains — net	5, 7	<u>39,744</u>	<u>21,132</u>
Operating profit	5	35,796	17,662
Finance income, net		<u>73</u>	<u>293</u>
Profit before income tax		35,869	17,955
Income tax expense	8	<u>(149)</u>	<u>(111)</u>
Profit for the period from continuing operations	5	35,720	17,844
Discontinued operations			
Gain/(loss) for the period from discontinued operations	17	<u>13,047</u>	<u>(2,264)</u>
Profit for the period		<u>48,767</u>	<u>15,580</u>
Attributable to:			
Equity holders of the Company		49,256	16,599
Non-controlling interests		<u>(489)</u>	<u>(1,019)</u>
		<u>48,767</u>	<u>15,580</u>
Earnings/(losses) per share attributable to the equity holders of the Company			
— Basic and diluted	9	<i>HK cents</i>	<i>HK cents</i>
From continuing operations		10.61	5.30
From discontinued operations		<u>4.02</u>	<u>(0.37)</u>
		<u>14.63</u>	<u>4.93</u>
Dividends	10	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
		Restated <i>(Note 5)</i>
Profit for the period	48,767	15,580
Other comprehensive income		
Currency translation differences	198	1,505
Release of reserves upon disposal of a subsidiary <i>(note 17)</i>	<u>(4,625)</u>	<u>—</u>
Total comprehensive income for the period	<u>44,340</u>	<u>17,085</u>
Total comprehensive income for the period attributable to:		
Equity holders of the Company	44,721	17,468
Non-controlling interests	<u>(381)</u>	<u>(383)</u>
Total comprehensive income for the period	<u>44,340</u>	<u>17,085</u>
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:		
Continuing operations	31,052	17,936
Discontinued operations	<u>13,669</u>	<u>(468)</u>
	<u>44,721</u>	<u>17,468</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital <i>HK\$'000</i>	Exchange 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 2011	134,922	7,499	1,582	(40,714)	103,289	35,688	138,977
Profit/(loss) for the period	—	—	—	16,599	16,599	(1,019)	15,580
Currency translation differences	—	869	—	—	869	636	1,505
Total comprehensive income for the period	—	869	—	16,599	17,468	(383)	17,085
Balance at 30 June 2011	<u>134,922</u>	<u>8,368</u>	<u>1,582</u>	<u>(24,115)</u>	<u>120,757</u>	<u>35,305</u>	<u>156,062</u>
Balance at 1 January 2012	134,922	5,508	1,582	(59,789)	82,223	14,669	96,892
Profit/(loss) for the period	—	—	—	49,256	49,256	(489)	48,767
Currency translation differences	—	90	—	—	90	108	198
Release of reserves upon disposal of a subsidiary <i>(note 17)</i>	—	(4,625)	(1,582)	1,582	(4,625)	—	(4,625)
Total comprehensive income for the period	—	(4,535)	(1,582)	50,838	44,721	(381)	44,340
Disposal of a subsidiary <i>(Note 17)</i>	—	—	—	—	—	(14,288)	(14,288)
Balance at 30 June 2012	<u>134,922</u>	<u>973</u>	<u>—</u>	<u>(8,951)</u>	<u>126,944</u>	<u>—</u>	<u>126,944</u>

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash used in operating activities	(9,534)	(10,253)
Net cash generated from investing activities	<u>17,281</u>	<u>17,344</u>
Net increase in cash and cash equivalents	7,747	7,091
Cash and cash equivalents at 1 January *	44,394	32,418
Exchange (loss)/gains	<u>(11)</u>	<u>1,092</u>
Cash and cash equivalents at 30 June	<u>52,130</u>	<u>40,601</u>

* Cash and cash equivalents of HK\$14,557,000 was included in assets of a subsidiary classified as held for sale.

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 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 “Stock Exchange”).

On 2 December 2011, the Group entered into an agreement with On-Bright Electronics Incorporated (“On-Bright”) to dispose of its entire equity interest in SyncMOS Technologies International Inc. (“SyncMOS Technologies”). The transaction was completed on 16 January 2012, and SyncMOS Technologies ceased to be a subsidiary of the Group thereafter. Further details are given in Note 17.

The Company is a limited liability company incorporated in Bermuda. The address of the principal place of business of the Company is Suites 2905-10, Dah Sing Financial Centre, 108 Gloucester 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 16 August 2012.

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 2012 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”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Estimates

The preparation of interim financial information 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 2011.

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 2011.

There have been no changes in the risk management policies since 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 2012.

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets				
Financial assets at fair value through profit or loss	72,989	—	—	72,989

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	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	37,330	—	—	37,330

5. Segment information

The Group is principally engaged in the design, distribution and trading of integrated circuits and semiconductor parts in Taiwan and the PRC, and investment holding. The Group has ceased its operations in Taiwan following the disposal of SyncMOS Technologies in January 2012.

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

- (i) corporate administration and investment functions performed by the Hong Kong headquarters;
- (ii) design and sales of micro-controller units used in a wide range of electronic products conducted through the Group's subsidiary in Taiwan, SyncMOS Technologies; and
- (iii) 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.

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

On 16 January 2012, the Group completed the disposal of its entire interest in SyncMOS Technologies and the results of SyncMOS Technologies have been presented as discontinued operations (Note 17). Comparative figures of the Group's financial 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>
Six months ended 30 June 2012					
Revenue from external customers	<u>—</u>	<u>5,928</u>	<u>5,928</u>	<u>1,770</u>	<u>7,698</u>
Operating profit/(loss)	<u>35,721</u>	<u>75</u>	<u>35,796</u>	<u>(1,090)</u>	<u>34,706</u>
Profit/(loss) for the period	<u>35,790</u>	<u>(70)</u>	<u>35,720</u>	<u>(1,087)</u>	<u>34,633</u>
Gain on disposal of a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,134</u>	<u>14,134</u>
	<u>35,790</u>	<u>(70)</u>	<u>35,720</u>	<u>13,047</u>	<u>48,767</u>
Other gains/(loss) — net, included in operating profit/(loss)	39,745	(1)	39,744	(16)	39,728
Capital expenditures (<i>note 11</i>)	—	232	232	—	232
As at 30 June 2012					
Segment assets	<u>123,575</u>	<u>10,078</u>	<u>133,653</u>	<u>—</u>	<u>133,653</u>
Segment liabilities	<u>1,199</u>	<u>5,510</u>	<u>6,709</u>	<u>—</u>	<u>6,709</u>

	Continuing Operations			Discontinued	Total
	Hong Kong	PRC	Total	Operations	
	HK\$'000	HK\$'000	HK\$'000	Taiwan	HK\$'000
Six months ended 30 June 2011					
Revenue from external customers	<u>—</u>	<u>6,740</u>	<u>6,740</u>	<u>35,767</u>	<u>42,507</u>
Operating profit/(loss)	<u>16,727</u>	<u>935</u>	<u>17,662</u>	<u>(2,446)</u>	<u>15,216</u>
Profit/(loss) for the period	<u>17,003</u>	<u>841</u>	<u>17,844</u>	<u>(2,264)</u>	<u>15,580</u>
Other gains/(loss) — net, included in operating profit/(loss)	21,145	(13)	21,132	(340)	20,792
Capital expenditures (<i>note 11</i>)	1,005	358	1,363	1,630	2,993
As at 31 December 2011					
Segment assets	<u>64,397</u>	<u>11,169</u>	<u>75,566</u>	<u>42,609</u>	<u>118,175</u>
Segment liabilities	<u>4,783</u>	<u>6,489</u>	<u>11,272</u>	<u>10,011</u>	<u>21,283</u>

For the six months ended 30 June 2012, revenue of approximately HK\$1,768,000 was derived from a single external customer. This revenue was attributable to the PRC segment from the continuing operations.

For the six months ended 30 June 2011, revenue of approximately HK\$14,216,000 was derived from a single external customer. This revenue was attributable to the Taiwan segment from the discontinued operations.

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	
	2012	2011
	HK\$'000	HK\$'000
		Restated
		(Note 5)
From continuing operations		
Cost of inventories sold	1,929	2,250
Auditor's remuneration	631	660
Depreciation of property, plant and equipment	255	203
Operating lease rentals in respect of properties	1,933	2,584
Research and development costs	311	86
Marketing costs	47	9
Employee benefit expenses (including directors' emoluments)	3,210	2,838
Other expenses	1,793	1,800
	<u>10,109</u>	<u>10,430</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>10,109</u>	<u>10,430</u>

7. Other gains — net

Other gains recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
		Restated
		(Note 5)
From continuing operations:		
Financial assets at fair value through profit or loss:		
— realised gains	2,695	2,855
— unrealised gains	37,070	18,252
Exchange (losses)/gains — net	(21)	25
	<u>39,744</u>	<u>21,132</u>
Total other gains — net	<u>39,744</u>	<u>21,132</u>

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 2011: 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	
	2012	2011
	HK\$'000	HK\$'000
Current income tax		
— Overseas tax	(149)	(111)
	<u><u>(149)</u></u>	<u><u>(111)</u></u>

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\$49,256,000 (2011: HK\$16,599,000) and 336,587,142 shares (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
		Restated (Note 5)
Profit/(loss) attributable to equity holders of the Company		
— Continuing operations	35,720	17,844
— Discontinued operations	13,536	(1,245)
	<u><u>49,256</u></u>	<u><u>16,599</u></u>
Profit attributable to equity holders of the Company		
	49,256	16,599
	<u><u>49,256</u></u>	<u><u>16,599</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	336,587	336,587
	<u><u>336,587</u></u>	<u><u>336,587</u></u>
	HK cents	HK cents
Basic earnings/(loss) per share		
— Continuing operations	10.61	5.30
— Discontinued operations	4.02	(0.37)
	<u><u>10.61</u></u>	<u><u>5.30</u></u>
	<u><u>4.02</u></u>	<u><u>(0.37)</u></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 2011: Same).

10. Dividend

The directors do not recommend the payment of a dividend (six months ended 30 June 2011: Nil).

11. Property, plant and equipment and intangible assets

	Property, plant and equipment <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1 January 2011	2,053	426	2,479
Additions	2,830	163	2,993
Depreciation and amortisation	(600)	(176)	(776)
Currency translation differences	53	7	60
	<u>4,336</u>	<u>420</u>	<u>4,756</u>
Closing net book amount as at 30 June 2011	<u>4,336</u>	<u>420</u>	<u>4,756</u>
Opening net book amount as at 1 January 2012	2,153	—	2,153
Additions	232	—	232
Depreciation and amortisation	(255)	—	(255)
Currency translation differences	(10)	—	(10)
	<u>2,120</u>	<u>—</u>	<u>2,120</u>
Closing net book amount as at 30 June 2012	<u>2,120</u>	<u>—</u>	<u>2,120</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 2012 <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
Current	51	101
1 to 30 days	159	77
31 to 90 days	69	—
	<u>279</u>	<u>178</u>

As at 30 Jun 2012, bill receivables of HK\$876,000 (31 December 2011: HK\$1,257,000) will mature as follows:

	Unaudited 30 June 2012 <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
1 to 30 days	122	62
31 to 90 days	629	—
91 to 180 days	125	579
Over 180 days	—	616
	<u>876</u>	<u>1,257</u>

13. Financial assets at fair value through profit or loss

	Unaudited 30 June 2012 <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
Listed equity securities in		
— The United States of America	72,205	36,663
— Hong Kong	784	667
	<u>72,989</u>	<u>37,330</u>
Market value of listed securities		

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 2012.

As at 30 June 2012, the carrying amount of the Group's interests in the shares of ChipMOS Technologies (Bermuda) Ltd. represented 54% (31 December 2011: 31%) of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
ChipMOS Technologies (Bermuda) Ltd.	Bermuda	Provision of semiconductor testing and assembly services for Liquid Crystal Display (LCD) and other flat-panel display driver semiconductors	Issued capital of US\$1.3 million of par value US\$0.04 per share	879,919 common shares, representing 2.7% of the issued share capital of ChipMOS

The quoted market price of ChipMOS as at 15 August 2012 was approximately US\$12.91.

14. Cash and cash equivalents

	Unaudited 30 June 2012 <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
Cash at bank	22,039	29,776
Term deposits with original maturities of three months or less	30,068	54
Cash on hand	<u>23</u>	<u>7</u>
Total cash and cash equivalents	<u>52,130</u>	<u>29,837</u>

15. Share capital

	Number of issued share (thousands)	Issued ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total share capital <i>HK\$'000</i>
At 31 December 2011 and 30 June 2012	<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 2011: 500 million shares) with a par value of HK\$0.1 per share (31 December 2011: 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 2012 <i>HK\$'000</i>	Audited 31 December 2011 <i>HK\$'000</i>
Less than one year	<u>—</u>	<u>149</u>

17. Discontinued operations

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

(a) Analysis of the results from the discontinued operations:

	Unaudited	
	Period from	
	1 January	Six months
	2012	ended 30 June
	to 16 January	2011
	2012	2011
	HK\$'000	HK\$'000
Revenue	1,770	35,767
Other income	15	364
Other losses, net	(16)	(340)
Expenses	<u>(2,856)</u>	<u>(38,055)</u>
Loss before income tax from discontinued operations	(1,087)	(2,264)
Income tax expenses	—	—
Gain on disposal of a subsidiary (note c)	<u>14,134</u>	<u>—</u>
	<u>13,047</u>	<u>(2,264)</u>
Profit/(loss) for the period from discontinued operations		
Attributable to:		
— Equity holders of the Company	13,536	(1,245)
— Non-controlling interests	<u>(489)</u>	<u>(1,019)</u>
	<u>13,047</u>	<u>(2,264)</u>

(b) Analysis of cash flows from the discontinued operations:

	Unaudited	
	Period from	
	1 January	Six months
	2012	ended 30 June
	to 16 January	2011
	2012	2011
	HK\$'000	HK\$'000
Operating cash flows	(2,267)	(6,736)
Investing cash flows	<u>1,348</u>	<u>8,442</u>
Total cash flows	<u>(919)</u>	<u>1,706</u>

(c) *Gain on disposal of a subsidiary*

HK\$'000

Net consideration	
Cash received	27,600
Direct expenses	(628)
	<hr/>
	26,972
	<hr/>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	653
Long-term deposits	272
Inventories	16,867
Trade receivables	7,290
Deposits, prepayments and other receivables	1,371
Restricted cash	266
Cash and cash equivalents	13,638
Trade payables	(2,917)
Other payables and accruals	(5,306)
Amounts due to related companies	(383)
	<hr/>
Net assets disposed of	31,751
	<hr/>
Non-controlling interests	14,288
	<hr/>
Release of reserve upon disposal of a subsidiary	4,625
	<hr/>
Gain on disposal of a subsidiary	14,134
	<hr/> <hr/>

18. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Texan Management Limited (“Texan”) had notified the Company, as of 27 June 1997, it was interested in 145,610,000 shares of the Company (“Shares”), representing approximately 43.3% 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 43.26% 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, among other things, 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 43.26% 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	
	<i>Note</i>	2012	2011
		HK\$'000	HK\$'000
Recharge of rental to Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), an entity with directorships in common	<i>(i)</i>	343	332
Expenses paid/payable to Mosel Vitelic Inc. ("MVI"), a substantial shareholder			
Rental expenses	<i>(ii)</i>	—	49
Other service fees	<i>(iii)</i>	—	47
		—	96

- (i) The rental was charged to Fong Wing Shing based on the floor area occupied.
- (ii) The rental expenses payable to MVI were charged by reference to open market rental as appraised by an independent valuer for comparable premises.
- (iii) The other service fees payable to MVI were at a price mutually agreed between the parties.

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

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Amount due to an associated company of MVI	<u>3,524</u>	<u>3,555</u>

The amount due to Mosel Vitelic Corporation (“MVC”), an associated company of MVI, was waived in 2009 by the MVC, which had been dissolved under the laws of the United States. Since the period of actions for debts against a dissolved corporation had not been legally expired as of 30 June 2012, the balance was not written back during this period.

(c) Key management compensation

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Salaries, allowances and other benefits in kind	583	1,022
Bonus	<u>—</u>	<u>113</u>
	<u>583</u>	<u>1,135</u>

19. Commitments

At 30 June 2012, the total future minimum office rental lease payments payable under non-cancellable operating leases were as follows:

	Unaudited	Audited
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
Total future minimum office rental lease payments payable:		
— Not later than 1 year	3,766	4,097
— Later than 1 year and not later than 5 years	<u>1,634</u>	<u>3,465</u>
	<u>5,400</u>	<u>7,562</u>

RESULTS

During the six months ended 30 June 2012, the Group achieved a turnover from continuing operations of approximately HK\$5.9 million, representing a decrease of approximately 12% as compared to the corresponding period in the prior year. In January 2012, the Group had finalized the disposal of Taiwan operation and the disposal had resulted in a gain of approximately HK\$14.1 million. The profit attributable to equity holders of the Company was approximately HK\$49.3 million, as compared to approximately HK\$16.6 million in the corresponding period in the prior year.

DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2012.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

For the six months ended 30 June 2012, due to the continuing soft market demand, our operation in Shanghai recorded revenue of approximately HK\$5.9 million, a decrease of approximately 12% as compared to the corresponding period in the prior year. The gross profit margin of our operation in Shanghai was approximately 67% (2011: approximately 67%). For the period under review, the operation in Shanghai recorded a net loss of approximately HK\$70,000 (2011: a net profit of approximately HK\$841,000).

The Taiwan operation has been suffering losses for the past three years. The business outlook for design and distribution of integrated circuits and semiconductor parts in the Taiwan market is overshadowed by the increase in market competition amongst the players in the industry, which has significantly been affecting the demand for its products. As a result, the management decided to dispose the business at an aggregate cash consideration of NT\$106.8 million (equivalent to HK\$27.6 million). The disposal of the Taiwan business was completed on 16 January 2012. The revenue and assets of the Taiwan segment were solely contributed by the Group's non wholly-owned subsidiary, SyncMOS Technologies International, Inc. ("SyncMOS Technologies"). Upon completion of the disposal of SyncMOS Technologies, SyncMOS Technologies is no longer a subsidiary of the Company. As such, the financial results of SyncMOS Technologies were no longer consolidated with the Group upon completion. Since then, the Group has ceased all business operations in Taiwan. The actual gain on the disposal of approximately HK\$14.1 million was recognised in the condensed consolidated interim financial information of the Group during the period ended 30 June 2012.

For the period from 1 to 16 January 2012, the Taiwan operation recorded revenue of approximately HK\$1.8 million (Six months period ended 30 June 2011: approximately HK\$35.8 million). The gross profit margin was approximately 25% (2011: approximately 24%). During such period, the operation in Taiwan recorded a net loss of approximately HK\$1.1 million (six months period ended 30 June 2011: a net loss of approximately HK\$2.3 million).

Investment holding

As at 30 June 2012, the Group held approximately 879,919 shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”), a company listed on the NASDAQ. ChipMOS is a leading provider of semiconductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

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

As at 30 June 2012, the quoted market price of ChipMOS was approximately US\$10.58 per share, as compared to approximately US\$5.16 per share as at 31 December 2011. An unrealised gain of approximately HK\$37.0 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 15 August 2012 was approximately US\$12.91.

Future plans and prospects

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the cash and cash equivalents of the Group amounted to approximately HK\$52.1 million (31 December 2011: approximately HK\$44.4 million).

For the six months ended 30 June 2012, the net cash inflow of the Group amounted to approximately HK\$7.7 million (2011: net cash inflow amounted to approximately HK\$7.1 million).

As at 30 June 2012, the Group had no outstanding bank loan and no financing cost was incurred for the six months ended 30 June 2012.

As at 30 June 2012, the Group had short-term bank deposits of approximately HK\$30.1 million (31 December 2011: approximately HK\$1.2 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 2012, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of total assets, was approximately 5% (31 December 2011: approximately 18 %).

FOREIGN CURRENCY EXPOSURE

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

For the period under review, a net exchange loss of approximately HK\$21,000 (2011: gain of approximately HK\$25,000) was recognised in the condensed consolidated interim income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK\$90,000 was credited to the exchange reserve (2011: credit of approximately HK\$869,000).

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

CAPITAL STRUCTURE

No new capital was raised for the six months ended 30 June 2012. The profit attributable to equity holders for the period of approximately HK\$49.3 million (2011: profit of approximately 16.6 million) was transferred to reserves. As at 30 June 2012, the shareholders' fund was approximately HK\$127.0 million (31 December 2011: approximately HK\$82.2 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK\$0.2 million for the six months ended 30 June 2012.

As at 30 June 2012, the Group held shares of ChipMOS at mark-to-market valuation of approximately HK\$72.2 million (31 December 2011: approximately HK\$36.7 million). In addition, the Group held some shares of Hong Kong listed companies with mark-to-market valuation of approximately HK\$0.8 million as at 30 June 2012 (31 December 2011: approximately HK\$0.7 million). For the period under review, the Group sold ChipMOS shares with a total sale proceeds of approximately HK\$4.0 million.

CHARGE ON ASSETS

As at 30 June 2012, the Group had no restricted bank deposits.

SEGMENTAL INFORMATION

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

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

HUMAN RESOURCES

As at 30 June 2012, the number of staff of the Group was approximately 40.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2012.

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 2012.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the changes in information of directors of the Company subsequent to the date of the 2011 annual report of the Company are set out below:

Mr. Wong Chi Keung, Independent Non-executive Director, has been appointed as independent non-executive director and a member of the audit committee and the nomination committee of Zhuguang Holdings Group Company Limited (stock code: 1176), a company listed on the Stock Exchange, with effect from 5 June 2012.

Each of the Directors has entered into an appointment agreement with the Company dated 2 March 2012. There is no fixed term or proposed length of service except that the appointment is subject to the requirements under the Listing Rules, the Company's bye-laws and any other applicable laws and regulations, and the appointment can be terminated by either party by giving the other party three months' written notice in advance.

AUDIT COMMITTEE

The Audit Committee comprises three 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 2012.

CORPORATE GOVERNANCE

The code provisions of the Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 to the Listing Rules were revised as Corporate Governance Code and Corporate Governance Report (the "Revised Code") and took effect on 1 April 2012, and is applicable to financial reports covering an accounting period which ends after 1 April 2012. Throughout the period from 1 January 2012 to 30 June 2012, the Company has complied with the code provisions of the Former Code and the Revised Code save for the following:

Code A.4.1

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

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

Code A.4.2

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

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

In compliance with the relevant Revised Code which took effect on 1 April 2012, the terms of reference for the Company's Audit Committee, Remuneration Committee and Nomination Committee have been revised and adopted with effect from 2 March 2012.

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 2012.

On behalf of the Board
Yip Chi Hung
Chairman

Hong Kong, 16 August 2012

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