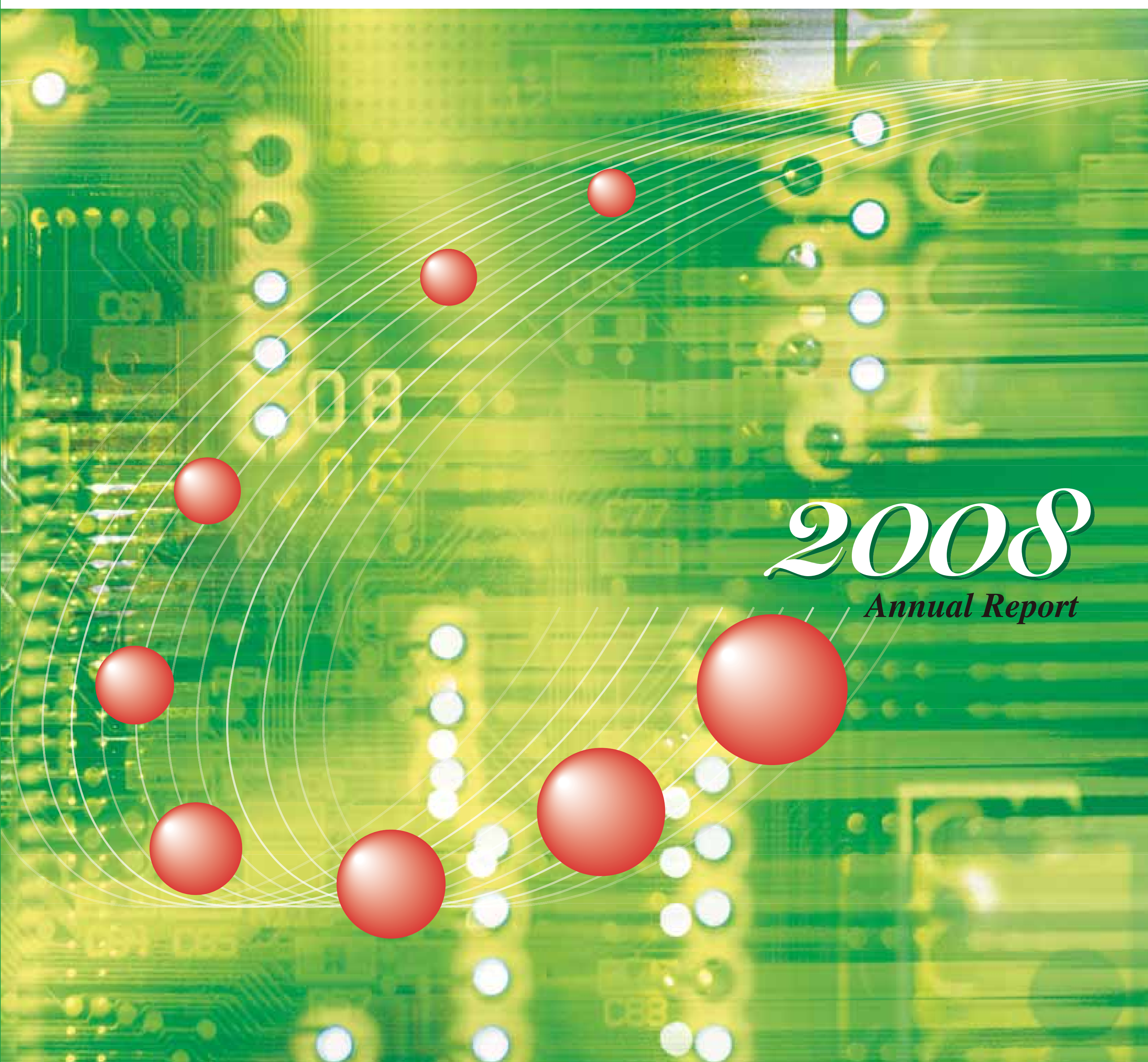
PacMOS

PacMOS Technologies Holdings Limited

(Stock Code : 1010)



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Yip Chi Hung *(Chairman)*
Chen Che Yuan *(Chief Executive Officer)*

Independent Non-executive Directors

Wong Chi Keung
Cheng Hok Ming, Albert
Ma Kwai Yuen

BOARD COMMITTEES

Audit Committee

Wong Chi Keung *(chairman)*
Cheng Hok Ming, Albert
Ma Kwai Yuen

Remuneration Committee

Wong Chi Keung *(chairman)*
Cheng Hok Ming, Albert
Ma Kwai Yuen
Yip Chi Hung

Nomination Committee

Wong Chi Keung *(chairman)*
Cheng Hok Ming, Albert
Ma Kwai Yuen
Yip Chi Hung

COMPANY SECRETARY

Chung Che Ling

WEBSITE

http://pacmos.etnet.com.hk

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

27th Floor, Cambridge House
Taikoo Place
979 King's Road
Island East
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
(name changed)
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited

Directors and Senior Management Biographies

Mr. Yip Chi Hung, aged 50, has been appointed as an executive director of the Company since November 1998 and elected as Chairman of the Board since March 2006. He has extensive experience in corporate management and is responsible for formulating the Group's management philosophy and corporate strategies. Mr. Yip is also experienced in the construction industry.

Mr. Yip is also an independent non-executive director of Perfectech International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and is a director of Fong Wing Shing Construction Company Limited, a reputable registered building contractor in Hong Kong. He has over 20 years of experience in a variety of building and maintenance projects for both the public and private sectors. Mr. Yip is also well versed in the development of properties in Hong Kong and Singapore.

Mr. Chen Che Yuan, aged 54, joined the Company in March 2006. He has been appointed as an executive director and the chief executive officer of the Company since March 2006. Mr. Chen is the supervisor to the board of directors, elected by respective member, of each of the following companies: (i) DenMOS TECHNOLOGY, Inc., a subsidiary of Mosel Vitelic Inc. ("MVI") representing approximately 44% of its issued share capital, (ii) Mau Fu Investments Corp. Ltd., a wholly owned subsidiary of MVI, and (iii) Bau De Investment Corp. Limited, a wholly owned subsidiary of MVI. MVI is a listed company in Taiwan and the Company's substantial shareholder representing approximately 31.5% of the Company's issued share capital.

Mr. Chen obtained his bachelor's degree in Electronic Engineering in June 1978 from Tamkang University, Taiwan and master's degree in EMBA in January 2003 from National Chao-Tung University, Taiwan. He has over 27 years of experience in design and developing semiconductor IC packaging, semiconductor backend manufacturing and has extensive experience in corporate management.

Mr. Wong Chi Keung, aged 54, holds a master's degree in business administration from the University of Adelaide in Australia. Mr. Wong has been appointed as an independent non-executive director of the Company since August 1995. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for over 10 years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Mr. Cheng Hok Ming, Albert, aged 47, has been appointed as an independent non-executive director of the Company since 30 September 2004. Mr. Cheng has extensive working experience in the accounting and commercial fields. He is currently the senior audit manager of a certified public accountants firm practicing in Hong Kong.

Mr. Ma Kwai Yuen, aged 56, is an executive director of a consulting company in Hong Kong. Mr. Ma has been appointed as an independent non-executive director of the Company since June 2005. He has been the corporate planning manager of Sino Realty and Enterprises Limited and a consultant of Jardine Management Consulting Service Pty., Ltd. He is an independent non-executive director and a member of the audit and remuneration committees of China Aoyuan Property Group Limited and Wang Sing International Holdings Group Limited, companies listed on The Stock Exchange of Hong Kong Limited. Mr. Ma is also an independent non-executive director and a member of the audit committee of Vision Tech International Holdings Limited and China Shineway Pharmaceutical Group Limited, which are also listed companies in Hong Kong.

He was a council member (1994 to 1999) of the Chartered Institute of Management Accountants — Hong Kong Regional Office and the Vice-chairman (1994 to 1997) of the Guangdong Liaison Office of the Chartered Institute of Management Accountants. Mr. Ma is a fellow member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretary and Administrators, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Hong Kong Institute of Directors and a fellow member of the CPA Australia. Mr. Ma has over 30 years of professional experience in the accounting and financial management and consulting industries.

Financial Summary

RESULTS

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations:					
Revenue	**88,237**	112,502	125,552	147,961	160,086
(Loss)/profit from operations	**(115,022)**	(61,791)	29,232	(21,205)	(85,126)
Finance costs	**—**	—	—	(193)	(583)
(Loss)/profit before income tax	**(115,022)**	(61,791)	29,232	(21,398)	(85,709)
Income tax credit/(expenses)	**64**	(745)	355	(1,367)	(2,698)
(Loss)/profit from continuing operations	**(114,958)**	(62,536)	29,587	(22,765)	(88,407)
Discontinued operation:					
(Loss)/profit from discontinued operation	**—**	—	—	(874)	2,531
(Loss)/profit for the year	**(114,958)**	(62,536)	29,587	(23,639)	(85,876)
Attributable to:					
Equity holders of the Company	**(113,128)**	(62,773)	25,446	(26,655)	(91,388)
Minority interests	**(1,830)**	237	4,141	3,016	5,512
	(114,958)	(62,536)	29,587	(23,639)	(85,876)

Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	31 December 2008 *HK$'000*	31 December 2007 *HK$'000*	31 December 2006 *HK$'000*	31 December 2005 *HK$'000*	31 December 2004 *HK$'000*
Non-current assets	**3,508**	5,275	7,146	6,082	58,836
Net current assets	**117,608**	232,342	292,894	266,414	268,978
Total assets less current liabilities	**121,116**	237,617	300,040	272,496	327,814
Non-current liabilities	**—**	—	—	(1,300)	(27,550)
Net assets	**121,116**	237,617	300,040	271,196	300,264
Minority interests	**(36,638)**	(40,754)	(43,363)	(41,461)	(44,192)
	84,478	196,863	256,677	229,735	256,072
Shareholders' equity					
Share capital	**134,922**	134,922	134,922	134,922	134,922
Reserves	**(50,444)**	61,941	121,755	94,813	121,150
	84,478	196,863	256,677	229,735	256,072
OTHER DATA					
Basic (loss)/earnings per share	**(33.61 cents)**	(18.65 cents)	7.56 cents	(7.92 cents)	(27.15 cents)
Diluted (loss)/earnings per share	**(33.61 cents)**	(18.65 cents)	7.56 cents	(7.92 cents)	(27.15 cents)
Shareholders' equity per share	**25 cents**	58 cents	76 cents	68 cents	76 cents

Chairman's Statement

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 2008.

For the year ended 31 December 2008, the Group achieved a revenue of approximately HK$88.2 million, as compared to that of last year of approximately HK$112.5 million. The loss attributable to shareholders amounted to approximately HK$113.1 million, as compared to that of last year of approximately HK$62.8 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2008.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

With the worldwide economic downturn starting from September 2008, the revenue of the Group reduced to approximately HK$88.2 million for the year ended 31 December 2008 as compared to that of approximately HK$112.5 million for the year ended 31 December 2007. For the year under review, the Group recorded a gross profit of approximately HK$21.2 million as compared to approximately HK$30.0 million for the year ended 31 December 2007.

For the year ended 31 December 2008, revenue of the Group's operation in Shanghai decreased to approximately HK$9.5 million from approximately HK$11.9 million for the year ended 31 December 2007. Gross profit margin had also reduced to 57% for the year ended 31 December 2008 from 63% for the year ended 31 December 2007. The Shanghai operation recorded a loss before tax of approximately HK$1.8 million for the current year under review as compared to a profit of approximately HK$3.7 million for the last year.

The revenue of the Group's operation in Taiwan also reduced to approximately HK$78.8 million for the current year under review from approximately HK$100.6 million last year. The gross profit margin also reduced to 20% from 22%. The operation in Taiwan contributed a loss before tax of approximately HK$3.3 million for the current year under review as compared to a profit before tax of approximately HK$1.8 million for the last year.

Investments holding

As at 31 December 2008, the Company held approximately 3.2 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"). ChipMOS, a company listed on NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

Due to the global financial crisis, there was a significant decrease in share price of ChipMOS during the year.

As at 31 December 2008, the closing market price of ChipMOS was US$0.25 as compared to US$4.26 as at 31 December 2007. Consequently, an unrealised loss of approximately HK$100.9 million was recorded due to mark to market valuation of the shares for the year under review.

As at 31 December 2008, the Group also held listed securities in Hong Kong with market valuation of approximately HK$3.6 million, an unrealised loss of approximately HK$2.9 million was recorded for marking the securities to market for the year under review.

FUTURE PLANS AND PROSPECTS

We shall continue to focus our efforts on our current main business in design and distribution of integrated circuit products. Despite the economic downturn, investments in research and development for improving the quality of our products will continue in order to strengthen our competitive edge in the long run.

APPRECIATION

I would like to take this opportunity to thank our employees for their efforts taken in the past year and our shareholders for the continued support to our Group.

On behalf of the Board

Yip Chi Hung
Chairman

Hong Kong, 18 March 2009

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the cash and bank balances of the Group amounted to approximately HK$94.6 million as compared to approximately HK$105.2 million as at 31 December 2007.

For the year ended 31 December 2008, the Group recorded a net cash outflow in cash and cash equivalents of approximately HK$49.9 million, which included outflows of approximately HK$8.6 million and HK$39.2 million from operating activities and investing activities respectively. The cash outflows from investing activities was mainly attributable to the placing of approximately HK$39.4 million surplus cash as term deposits with maturities over three months.

GEARING RATIO

As at 31 December 2008, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 13.7% (2007: approximately 9.7%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2008, the total liabilities (mainly trade payables and accruals) of the Group were approximately HK$19.3 million (2007: approximately HK$25.5 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 2008, a net exchange gain of approximately HK$0.3 million (2007: net loss of approximately HK$0.1 million) was recognised in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK$0.1 million were credited to the exchange reserve.

CAPITAL STRUCTURE

The loss attributable to shareholders for the year ended 31 December 2008 of approximately HK$113.1 million was transferred to accumulated loss. There was no change in the capital of the Company for the year under review. As at 31 December 2008, the shareholders' fund amounted to approximately HK$84.5 million (2007: approximately HK$196.9 million).

INVESTMENTS AND CAPITAL ASSETS

The Company held approximately 3.2 million shares of ChipMOS which is listed on NASDAQ. On 17 March 2009, the closing market price of ChipMOS was US$0.27.

During the year ended 31 December 2008, the Group utilised approximately HK$1.4 million (2007: approximately HK$8.8 million) to acquire Hong Kong listed equity securities and approximately HK$0.3 million (2007: approximately HK$1.1 million) for property, plant and equipment as well as intangible assets.

CHARGES ON ASSETS

As at 31 December 2008, restricted bank deposits amounted to approximately HK$0.2 million (2007: approximately HK$0.2 million) which were mainly for the purpose of securing payment of value added tax in Taiwan.

SEGMENT INFORMATION

An analysis by business and geographical segments of the Group's performance, assets and liabilities for the year is set out in Note 5 to the consolidated financial statements.

HUMAN RESOURCES

The headcount of the Group as at 31 December 2008 was approximately 88 (2007: approximately 86).

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. The management believes that it is in line with the modern commercial practice that eligible employees should be given incentives in the form of options to work towards enhancing the value of the subsidiary and the Group as a whole.

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 2008.

Report of the Directors

The directors of PacMOS Technologies Holdings Limited (the "Directors") submit their report together with the audited financial statements of PacMOS Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 8 to the financial statements. Details of the financial assets held by the Company for trading purpose are set out in Note 12 to the financial statements.

An analysis of the Group's performance for the year by geographical segment is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2008 are set out in the consolidated income statement on page 28.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 32 and Note 16 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 15 to the financial statements.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would obligate the Company to offer new shares on a pro rata basis to existing shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in Note 6 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2008, calculated under the Companies Act 1981 of Bermuda, were HK$nil (2007: HK$49,586,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 5 and 6.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year.

SHARE OPTIONS

On 29 November 2006, an ordinary resolution was passed at a special general meeting for approving the adoption of a share option scheme (the "Scheme") by a non wholly owned subsidiary, 新茂國際科技股份有限公司 ("SyncMOS Taiwan"). SyncMOS Taiwan may grant options to its full-time employees, including any executive and non-executive directors, to subscribe for shares of SyncMOS Taiwan.

Details of the share options outstanding as at 31 December 2008 which have been granted under the Scheme are as follows:

Grantee	Date of grant	Exercise price *HK$*	Exercise period	At 1 January 2008	Granted during the year	Exercised during the year	Cancelled during the year	At 31 December 2008
Employees	1 December 2006	2.46	1 December 2007 to 31 December 2009	1,305,000	—	—	45,000	1,260,000
	1 December 2006	2.46	1 December 2008 to 31 December 2009	1,305,000	—	—	45,000	1,260,000

Particulars of the Scheme are set out in Note 15 to the financial statements.

DIRECTORS

The Directors during the year ended 31 December 2008 and up to the date of this report are:

Executive Directors:

Yip Chi Hung
Chen Che Yuan

Independent Non-executive Directors:

Wong Chi Keung
Cheng Hok Ming, Albert
Ma Kwai Yuen

In accordance with the Company's bye-law ("Bye-law") 99, Messrs. Yip Chi Hung and Wong Chi Keung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 3 and 4 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' and senior management's emoluments are set out in Note 21 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) that is required to be recorded and kept in the register in accordance with Section 352 of Part XV of the SFO., and any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 December 2008, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Name of Shareholder	Number of issued shares	Percentage holding
Vision2000 Venture Ltd. ("Vision2000") *(note (2))*	106,043,142	31.5%

Notes:

(1) 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.

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 21 March 2006, 18 April 2006, 25 January 2008, 20 October 2008 and 5 March 2009.

(2) Mosel Vitelic Inc. had notified the Company, as of 27 June 1997, it was deemed to be interested in the 106,043,142 shares held by Vision2000, as being the controlling corporation of Vision2000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its associates, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 75% of the Group's total revenue while the largest customer of the Group accounted for approximately 47% of the Group's total revenue. In addition, for the year ended 31 December 2008 the five largest suppliers of the Group accounted for approximately 84% of the Group's total purchases while the largest supplier of the Group accounted for approximately 41% of the Group's total purchases.

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 28 to the financial statements also constituted connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the Listing Rules.

1. Rental income of approximately HK$355,000 (2007: HK$243,000) was received and become receivable from Fong Wing Shing Construction Company Limited. Mr. Yip Chi Hung, director of the Company, is in a position to exercise significant influence over this company. The rental was charged under normal commercial terms based on the floor area occupied and was no less than those charged to other third party tenants of the Group.

2. On 2 February 2007, Shanghai SyncMOS entered into a non-exclusive agreement with Taiwan SyncMOS pursuant to which Taiwan SyncMOS will provide services to Shanghai SyncMOS for a period of three years commencing from 1 January 2007 and expiring on 31 December 2009. The services to be provided by Taiwan SyncMOS to Shanghai SyncMOS include sourcing and purchasing integrated circuit components such as masks, wafers, testing and/or packages for Shanghai SyncMOS by entering into purchase contracts to commission independent third parties to provide the masks, wafers, testings and/or packages in accordance with such specifications and functions provided by Shanghai SyncMOS. Taiwan SyncMOS shall not charge Shanghai SyncMOS any service fee in respect of the services provided that Shanghai SyncMOS shall reimburse Taiwan SyncMOS for all reasonable expenses and taxes (if any) properly incurred. The maximum amount for such purchase shall not exceed HK$7,000,000 for the year ended 31 December 2007, HK$8,500,000 for the year ended 31 December 2008 and HK$9,800,000 for the year ended 31 December 2009.

Taiwan SyncMOS is held by the Company and Mosel Vitelic Inc. ("MVI") as to approximately 55% and as to approximately 24% respectively. MVI is a substantial shareholder and connected person of the Company and thus, the entering into of the agreement between Shanghai SyncMOS and Taiwan SyncMOS constitutes a continuing connected transaction for the Company.

For the year ended 31 December 2008, the amount reimbursed to Taiwan SyncMOS by Shanghai SyncMOS under the agreement was HK$nil (2007: approximately HK$1,776,000).

3. Mosel Vitelic Corporation ("MVC") is owned as to 50% by MVI. Thus, MVC is a subsidiary of MVI and a connected person of the Company. Pursuant to the Design Service Agreement dated 1 January 2004, MVC agreed to provide design services to Shanghai SyncMOS on a non-exclusive basis. The transactions under the Design Service Agreement constitute continuing connected transactions of the Company under the Listing Rules. For the year ended 31 December 2008, the design service fees payable by Shanghai SyncMOS to MVC amounted to approximately HK$1,478,000 (2007: approximately HK$211,000).

The above transactions were negotiated on an arm's length basis, in the ordinary course of business of the Group and on normal commercial terms.

Save as disclosed above, there were no other transactions, which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

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 Listing Rules except deviations from Code A.4.1 and A.4.2. A detailed Corporate Governance Report is set out on pages 19 to 25 in the annual report.

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 2008, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

EMOLUMENT POLICY

The emoluments of the Directors are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs and the Company's performance.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

COMPETING BUSINESS

None of the Directors of the Company has interest in any business which may compete with the business of the Group.

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 which adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2008.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire, being eligible, offer themselves for re-appointment.

On behalf of the Board

Yip Chi Hung
Chairman

Hong Kong, 18 March 2009

Corporate Governance Report

The Board of Directors (the "Board") is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions set out in 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 2008, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

THE BOARD

The Board comprises 5 Directors, of which 2 are Executive Directors and 3 are Independent Non-executive Directors. The number of independent non-executive directors has met the minimum requirement of the Listing Rules and represented more than one-third of the total board members. Further, all the Independent Non-executive Directors possesses appropriate professional accounting qualifications and/or financial management expertise. The members of the Board are as follows:

Executive Directors

Mr. Yip Chi Hung *(Chairman)*
Mr. Chen Che Yuan *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Wong Chi Keung
Mr. Cheng Hok Ming, Albert
Mr. Ma Kwai Yuen

The biographical details of the Directors are contained in the section headed "Directors and Senior Management Biographies".

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, the Director who has interests declares his interest and is required to abstain from voting and is not counted in the quorum.

Other than the regulatory and statutory responsibilities of the Board, the key functions of the Board are to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group's strategic objective. The Board, led by the Chairman, retains full responsibility for setting objective and business development plans. All Directors (including Independent Non-executive Directors) have been consulted on major and material matters of the Company. The Board is committed to make decisions in the best interests of both the Company and its subsidiaries.

The Board currently has three board committees ("Board Committees") namely, Audit Committee, Remuneration Committee and Nomination Committee sole to assist the Board in discharge of its duties and to oversee particular aspects of the Group's affairs.

All the Board Committees have clear written terms of reference and have to report on their decisions and recommendations to the Board.

The Board convened 8 meetings during the year. The attendance of individual Directors to the Board meetings in 2008 is summarised below.

	Attendance
Executive directors	
— Mr. Yip Chi Hung *(Chairman)*	8/8
— Mr. Chen Che Yuan *(Chief Executive Officer)*	8/8
Independent non-executive directors	
— Mr. Wong Chi Keung	8/8
— Mr. Cheng Hok Ming, Albert	8/8
— Mr. Ma Kwai Yuen	8/8

Notice of at least 14 days has been given of regular Board meetings to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice has been given. In case of time presses and unavailability of Board members, the Board adopts resolution in writing instead of meeting. The Board has passed resolutions in writing pursuant to the Bye-laws by the Directors in 1 occasion during the year.

With the support of the company secretary of the Company (the "Company Secretary"), the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Agenda for meetings is set and board papers are prepared and disseminated to the Directors in a timely and comprehensive manner. All businesses transacted at the Board meetings were well-documented. Draft and final versions of Board minutes are sent to all Directors for their comments and records respectively.

Directors are entitled to have access to board papers and related materials and access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. Directors have the liberty to seek independent professional advice, if so required, at the Company's expenses as arranged by the Company Secretary.

The Company Secretary accounts to the Board directly for ensuring that board procedures and rules and regulations are followed and that activities of the Board are efficient and effective by assisting the Chairman to prepare agendas for meetings and by preparing and disseminating Board papers to the Directors and Board Committees in a timely and comprehensive manner.

The Company Secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Securities and Futures Ordinance and Companies Ordinance etc., including publication and dissemination of reports and financial statements and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Director's dealings in securities of the Group.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Directors.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer are Messrs. Yip Chi Hung and Chen Che Yuan respectively. The Chairman bears primary responsibility for the works of the Board, by ensuring its effective function, while the Chief Executive Officer bears executive responsibility for the Company's business and the management of the day-to-day operations of the Company.

BOARD COMMITTEES

The Board established three board committees to assist the Board in discharge of its duties and to oversee particular aspects of the Group's affairs. Each committee has its terms of reference available for access at the principal place of business of the Company and each of the committee members was furnished with a copy of the respective terms of reference.

All business dealt with by the Board Committees were well documented. Draft and final versions of the Board Committees minutes are sent to all the respective Board Committees members for comments and records within reasonable time.

1. 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.

The Audit Committee is responsible for the following:

— reviewing and supervising the Company's financial reporting process and internal control systems,

— reviewing the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements,

— making recommendations as to the effectiveness of internal control and risk management, and

— monitoring the compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee meets the external auditors and the senior management at least twice a year to discuss any areas of concern during the audit.

In 2008, the Audit Committee has reviewed the Group's (i) annual report for the year ended 31 December 2007, (ii) interim report for the 6 months ended 30 June 2008, and (iii) external auditor's engagement letter with recommendation to the Board for approval.

During the year, 4 meetings were held with the management and/or the external auditors. Members of the Audit Committee and their respective attendance at committee meetings are listed below.

	Attendance
Committee members	
— Mr. Wong Chi Keung	4/4
— Mr. Cheng Hok Ming, Albert	4/4
— Mr. Ma Kwai Yuen	4/4

2. Remuneration Committee

The Remuneration Committee consists of the Chairman of the Board and all the Independent Non-executive Directors with Mr. Wong Chi Keung acts as Chairman of the Remuneration Committee.

Its primary responsibilities include recommending, reviewing and determining the remuneration policy and packages of directors. Directors do not participate in the determination of their own remuneration.

In 2008, the Remuneration Committee has reviewed and recommended to the Board the Directors' remuneration.

During the year, 2 meetings were held with the management. Members of the Remuneration Committee and their respective attendance at committee meetings are listed below.

	Attendance
Committee members	
— Mr. Wong Chi Keung	2/2
— Mr. Cheng Hok Ming, Albert	2/2
— Mr. Ma Kwai Yuen	2/2
— Mr. Yip Chi Hung	2/2

3. Nomination Committee

The Nomination Committee consists of the Chairman of the Board and all the Independent Non-executive Directors with Mr. Wong Chi Keung acts as Chairman of the Nomination Committee.

Its primary responsibilities are to assist the Board to review the structure of the Board and make recommendations to the Board on the appointment or re-appointment of directors to the Board.

In 2008, the Nomination Committee has discharged the duties of nomination committee by disseminating to the Board members the biography of the nomination candidate before the Board meeting held for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business.

During the year, 1 meeting was held with the management. Members of the Nomination Committee and their respective attendance at committee meeting is listed below.

	Attendance
Committee members	
— Mr. Wong Chi Keung	1/1
— Mr. Cheng Hok Ming, Albert	1/1
— Mr. Ma Kwai Yuen	1/1
— Mr. Yip Chi Hung	1/1

AUDITORS' REMUNERATION

For the year ended 31 December 2008, fees payable for audit and audit-related services to PricewaterhouseCoopers and other auditors were HK$1,320,000 and HK$292,000 respectively.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Company had adopted a set of internal control procedures and policies to safeguard the Group's assets against unauthorised use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

During the year, the Board has reviewed the effectiveness of the internal control systems covering all material controls, including financial, operational and compliance controls and risk management functions of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain a high level transparency in communicating with shareholders. The Company provides detailed information in its annual and interim reports.

The general meetings provide a useful forum for shareholders to exchange view with the Board. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The Chairman of the Board as well as the chairman of the board committees or other members of the respective committees are normally available to answer questions at general meetings.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In addition, details of proposed resolutions and procedures for demanding a poll are included in the circular to shareholders. Poll results are published in the newspapers and on the website of the Stock Exchange as well as the Company's website at http://pacmos.etnet.com.hk.

During the year, the Company held an annual general meeting on 25 June 2008.

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PACMOS TECHNOLOGIES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of PacMOS Technologies Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 82, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2009

Consolidated Income Statement

	Note	2008 HK$'000	2007 HK$'000
		For the year ended 31 December	
Revenue	*5*	**88,237**	112,502
Cost of sales	*19*	**(67,075)**	(82,474)
Gross profit		**21,162**	30,028
Distribution costs	*19*	**(4,384)**	(3,910)
General and administrative expenses	*19*	**(32,094)**	(31,670)
Other income	*20*	**3,761**	5,678
Other losses, net	*24*	**(103,467)**	(61,917)
Loss before income tax		**(115,022)**	(61,791)
Income tax credit/(expense)	*22*	**64**	(745)
Loss for the year		**(114,958)**	(62,536)
Attributable to:			
Equity holders of the Company		**(113,128)**	(62,773)
Minority interests		**(1,830)**	237
		(114,958)	(62,536)
Loss per share for loss attributable to the equity holders of the Company during the year (basic and diluted) (HK cents)	*25*	**(33.61)**	(18.65)

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

		As at 31 December	
		2008	2007
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**2,558**	3,235
Intangible assets	*7*	**212**	566
Long-term deposit		**738**	744
Deferred income tax assets	*18*	**—**	730
		3,508	5,275
Current assets			
Inventories	*9*	**17,304**	21,901
Trade receivables	*10*	**10,645**	11,915
Deposits, prepayments and other receivables	*11*	**4,154**	6,284
Financial assets at fair value through profit or loss	*12*	**9,905**	112,272
Restricted cash	*13*	**246**	248
Cash and bank balances	*14*	**94,644**	105,229
		136,898	257,849
Total assets		**140,406**	263,124
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**134,922**	134,922
Other reserves	*16*	**8,399**	7,325
(Accumulated loss)/retained earnings		**(58,843)**	54,616
		84,478	196,863
Minority interests		**36,638**	40,754
Total equity		**121,116**	237,617

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet *(Continued)*

	Note	As at 31 December 2008 HK$'000	2007 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*17*	**8,563**	14,206
Other payables and accruals	*29*	**7,073**	8,751
Amount due to a related party	*28(c)*	**3,654**	2,404
Income tax payable		**—**	146
		19,290	25,507
Total liabilities		**19,290**	25,507
Total equity and liabilities		**140,406**	263,124
Net current assets		**117,608**	232,342
Total assets less current liabilities		**121,116**	237,617

On behalf of the Board

Yip Chi Hung
Director

Chen Che Yuan
Director

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**371**	655
Investments in subsidiaries	*8(a)*	**10,467**	10,467
		10,838	11,122
Current assets			
Deposits, prepayments and other receivables	*11*	**1,474**	1,470
Financial assets at fair value through profit or loss	*12*	**6,293**	107,236
Amounts due from subsidiaries	*8(b)*	**61,128**	78,971
Amounts due from related parties	*28(c)*	**3**	3
Cash and bank balances	*14*	**11,197**	18,177
		80,095	205,857
Total assets		**90,933**	216,979
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**134,922**	134,922
Other reserves	*16*	**158,366**	158,366
Accumulated losses		**(214,342)**	(88,214)
Total equity		**78,946**	205,074
LIABILITIES			
Current liabilities			
Other payables and accruals		**1,647**	1,564
Amounts due to subsidiaries	*8(b)*	**10,340**	10,341
Total liabilities		**11,987**	11,905
Total equity and liabilities		**90,933**	216,979
Net current assets		**68,108**	193,952
Total assets less current liabilities		**78,946**	205,074

On behalf of the Board

Yip Chi Hung
Director

Chen Che Yuan
Director

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company								
	Ordinary shares *(Note 15)* *HK$'000*	Share premium *(Note 15)* *HK$'000*	Exchange reserve *(Note 16)* *HK$'000*	Employee share-based compensation reserve *(Note 16)* *HK$'000*	Other statutory reserve *(Note 16)* *HK$'000*	(Accumulated loss)/ retained earnings *HK$'000*	Total *HK$'000*	Minority interest *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2007	33,659	101,263	1,619	196	2,046	117,894	256,677	43,363	300,040
Currency translation differences	–	–	886	–	–	–	886	451	1,337
Net income recognised directly in equity	–	–	886	–	–	–	886	451	1,337
Loss for the year	–	–	–	–	–	(62,773)	(62,773)	237	(62,536)
Total recognised income and expense for the year	–	–	886	–	–	(62,773)	(61,887)	688	(61,199)
Employee share-based compensation scheme	–	–	–	2,073	–	–	2,073	–	2,073
Transfer to Taiwan statutory reserve	–	–	–	–	505	(505)	–	–	–
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	–	–	–	(3,297)	(3,297)
Balance at 31 December 2007	33,659	101,263	2,505	2,269	2,551	54,616	196,863	40,754	237,617
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)**
Net income/(loss) recognised directly in equity	**–**	**–**	**123**	**–**	**–**	**–**	**123**	**(215)**	**(92)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(113,128)**	**(113,128)**	**(1,830)**	**(114,958)**
Total recognised income and expense for the year	**–**	**–**	**123**	**–**	**–**	**(113,128)**	**(113,005)**	**(2,045)**	**(115,050)**
Employee share-based compensation scheme	**–**	**–**	**–**	**620**	**–**	**–**	**620**	**–**	**620**
Transfer to Taiwan statutory reserve	**–**	**–**	**–**	**–**	**331**	**(331)**	**–**	**–**	**–**
Dividend paid to minority shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,071)**	**(2,071)**
Balance at 31 December 2008	**33,659**	**101,263**	**2,628**	**2,889**	**2,882**	**(58,843)**	**84,478**	**36,638**	**121,116**

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2008 HK$'000	2007 HK$'000 (Note 2.19)
Cash flow from operating activities			
Cash flow used in operations	*26*	**(9,238)**	(11,190)
Overseas taxes refund/(paid)		**648**	(716)
Net cash used in operating activities		**(8,590)**	(11,906)
Cash flows from investing activities			
(Increase)/decrease in term deposits with original maturities of over three months	*14*	**(39,395)**	46,115
Purchases of property, plant and equipment	*6*	**(244)**	(793)
Purchases of intangible assets	*7*	**(27)**	(325)
Purchases of financial assets at fair value through profit or loss		**(1,429)**	(8,827)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	24,233
Interest received	*20*	**1,906**	2,251
Increase in pledged deposit		**—**	(3)
Net cash (used in)/generated from investing activities		**(39,189)**	62,651
Cash flows from financing activities			
Dividends paid to minority shareholders of a subsidiary		**(2,071)**	(3,298)
Net cash used in financing activities		**(2,071)**	(3,298)
Net (decrease)/increase in cash and cash equivalents		**(49,850)**	47,447
Cash and cash equivalents at the beginning of the year		**89,724**	41,022
Exchange (losses)/gains on cash and cash equivalents		**(130)**	1,255
Cash and cash equivalents at the end of the year		**39,744**	89,724

The notes on pages 34 to 82 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

PacMOS Technologies Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in design and distribution of integrated circuits and semi-conductor parts and investments holding.

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.

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 18 March 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The 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"). The 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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New/revised standards, amendments and interpretations effective in 2008

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The HKAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

HK(IFRIC) — Int 12, "Service concession arrangements", is not relevant to the Group's operations.

HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements.

The adoption of these new/revised standards, amendments and interpretations to existing standards do not result in substantial changes to the Group's accounting policy nor any impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) At the date of authorisation of the financial statements, the following new/revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 1 (Amendment)	Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estates
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) At the date of authorisation of the financial statements, the following new/revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them: *(Continued)*

HKICPA's improvements to HKFRS, including:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 2 (Amendment)	Inventories
HKAS 7 (Amendment)	Cash Flow Statements
HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Amendment)	Borrowing Costs
HKAS 28 (Amendment)	Investments in Associates
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interests in Joint Ventures
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement— Eligible hedged items
HKAS 40 (Amendment)	Investment Property
HKAS 41 (Amendment)	Agriculture
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations

Other minor amendments to HKFRS 7 — Financial Instruments: Disclosures, HKAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors, HKAS 10 — Events After the Balance Sheet Date, HKAS 18 — Revenue and HKAS 34 — Interim Financial Reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) At the date of authorisation of the financial statements, the following new/revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them: *(Continued)*

The Group did not early adopt any of these new/revised standards, amendments and interpretations to existing standards. The Group plans to apply the above standards, amendments and interpretations, effective 1 January 2009, except for HKFRS 1 (Amendment), HKFRS 3 (Revised), HK(IFRIC) — Int 17, and HKFRS 5 (Amendment), which are not effective until after 1 July 2009. Therefore, the Group plans to apply these standards, amendments and interpretations effective 1 January 2010.

The adoption of these new/revised standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group's accounting policies or disclosures, except for the following:

HKAS 27 (Revised), "Consolidated and separate financial statements" (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

HKFRS 3 (Revised), "Business combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) At the date of authorisation of the financial statements, the following new/revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them: *(Continued)*

HKAS 27 (Amendment), "Consolidated and separate financial statements" (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under HKAS 39, Financial instruments: recognition and measurement, is classified as held for sale under HKFRS 5, "Non-current assets held for sale and discontinued operations", HKAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity.

HKAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

HKAS 39 (Amendment), "Financial instruments: Recognition and measurement".

— This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

— The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

— When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date of fair value hedge accounting ceases) is used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2008.

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture, fixtures and equipment and plant and machinery, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Depreciation is calculated using straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4 — 6 years
Furniture, fixtures and equipment	4 — 8 years
Plant and machinery	3 — 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

2.6 Intangible assets

(a) Trademarks and licences

Acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of three years.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (two to five years).

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Receivables are classified as trade and other receivables in the balance sheet (Note 2.10).

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other losses, net", in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other indirect costs and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling and distribution costs.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and defaults are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the originally effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance accounts for the receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Employee benefits *(Continued)*

(b) Bonus plans

Provision for bonus plans due wholly within twelve months after balance sheet date is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Pension obligations

The Group operates a number of defined contribution pension schemes for its employees; the assets of which are generally held in separate trustee-administered funds. The Group's contributions to the aforesaid defined contribution retirement schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective territories and are charged to the income statement as incurred.

The employees of the Company's subsidiaries in the People's Republic of China (the "PRC") and Taiwan are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their salaries to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

(d) Share-based compensation

The Company's subsidiary in Taiwan, operates a share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods, and the collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income from bank deposits is recognised on a time-proportion basis using the effective interest method.

2.17 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19 Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation.

3. FINANCIAL RISK MANAGEMENT

3.1 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management. Management identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to New Taiwan dollar ("NTD"), United States dollar ("US$") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Management is responsible for managing the net position in each foreign currency.

Certain of the assets of the Group are principally denominated in US$. HK$ is pegged to US$, and thus foreign exchange exposure is considered as minimal. The Group currently does not have a foreign currency hedging policy.

During the year ended 31 December 2008, if HK dollar has strengthened/weakened by 5% against the RMB, with all other variable held constant, post-tax loss for the year would have been approximately HK$90,000 (2007: HK$185,000), higher or lower. At 31 December 2008, if HK dollar had strengthened/weakened by 5% against the RMB, equity would have been approximately HK$437,000 (2007: HK$256,000), lower or higher.

During the year ended 31 December 2008, if HK dollar has strengthened/weakened by 5% against the NTD, with all other variable held constant, post-tax loss for the year would have been approximately HK$112,000 (2007: HK$26,000), higher or lower. At 31 December 2008, if HK dollar had strengthened/weakened by 5% against the NTD, equity would have been approximately HK$2,907,000 (2007: HK$2,164,000), lower or higher.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Interest rate risk

The Group does not have bank borrowings during the year. The Group's exposures to changes in interest rates are mainly attributable to its interest bearing bank deposits.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Based on the simulations performed, the impact on profit or loss of a 91 basis-point (2007: 32 basis-point) shift would be a maximum increase/decrease of HK$909,000 (2007: HK$333,000) for the year ended 31 December 2008.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in equity of other entities are publicly traded on Nadsaq in the United States of America and The Stock Exchange of Hong Kong Limited.

For the year ended 31 December 2008, assuming the prices of the shares as at year end had increased/decreased by 20% (2007: 5%), the impact on post-tax loss would be approximately HK$1,981,000 (2007: HK$5,613,000) lower or higher.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from cash and bank balances, restricted cash as well as credit exposures to trade receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

***(b) Credit risk** (Continued)*

The Group's exposure to bad debts is not significant since the Group primarily trades with reputable and creditworthy customers. In addition, the Group has credit policies in place to ensure that sales of products are made to customers with appropriate credit history. The Group also actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables.

Exposure to credit risk arising from bank deposits is managed by placing the deposits to reputable banks attaining a minimum credit rating of "A-" and through regular monitoring of the credit rating.

(c) Liquidity risk

The Group did not have any bank borrowings during the year. Prudent liquidity risk management implies maintaining sufficient cash from operating activities. Due to the dynamic nature of the underlying businesses, Management maintains flexibility in funding by maintaining an adequate amount of operating cash.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to their respective contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008					
Amount due to a related party	3,654	—	—	—	3,654
Trade payables	8,563	—	—	—	8,563
At 31 December 2007					
Amount due to a related party	2,404	—	—	—	2,404
Trade payables	14,206	—	—	—	14,206

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities expressed as a percentage of the total equity and liabilities. As at 31 December 2008, the gearing ratio was approximately 13.7% (2007: approximately 9.7%). Management considers a ratio of not more than 30% as reasonable.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and bank balances, trade and other receivables, trade payables, other payables and accruals, and an amount due to a related party approximate their respective fair values due to their short maturities.

3.4 Major customers and suppliers

The five largest customers of the Group accounted for approximately 75% (2007: 75%) of the Group's total revenue while the largest customer of the Group accounted for approximately 47% (2007: 42%) of the Group's total revenue. In addition, for the year ended 31 December 2008 the five largest suppliers of the Group accounted for approximately 84% (2007: 95%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 41% (2007: 52%) of the Group's total purchases.

The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products.

The Group also maintains relationships with a number of accredited suppliers so as to reduce its reliance of any of them.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of any future management determination of relocation or renovation. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down non-strategic assets that have been abandoned or sold.

5. SEGMENT INFORMATION

(a) Primary reporting format — business segments

No business segment information of the Group is presented as the Group's revenue, expenses, assets and liabilities and capital expenditures are primarily attributable to one segment, i.e. the design and distribution of integrated circuits and semi-conductor parts.

5. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format — geographical segments

The Group's revenue by geographical location is determined by the country from which the goods are shipped.

	For the year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Revenue:		
Taiwan	**78,783**	100,622
The PRC	**9,454**	11,880
	88,237	112,502

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, long-term deposit, intangible assets, deferred income tax assets, inventories, trade receivables, deposits, prepayments and other receivables, financial assets through profit or loss, restricted cash and cash and bank balances.

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Total assets:		
Hong Kong	**32,605**	139,029
Taiwan	**96,161**	110,765
The PRC	**11,640**	13,330
	140,406	263,124

5. SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format — geographical segments *(Continued)*

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment and intangible assets.

	For the year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Capital expenditure:		
Hong Kong	**28**	44
Taiwan	**169**	900
The PRC	**74**	174
	271	1,118

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improve-ments *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Total *HK$'000*
At 1 January 2007				
Cost	1,567	6,705	11,826	20,098
Accumulated depreciation	(1,269)	(4,675)	(10,359)	(16,303)
Net book amount	298	2,030	1,467	3,795
Year ended 31 December 2007				
Opening net book amount	298	2,030	1,467	3,795
Additions	—	252	541	793
Depreciation	(123)	(507)	(798)	(1,428)
Exchange differences	—	62	13	75
Closing net book amount	175	1,837	1,223	3,235
At 31 December 2007				
Cost	1,567	7,288	12,526	21,381
Accumulated depreciation	(1,392)	(5,451)	(11,303)	(18,146)
Net book amount	175	1,837	1,223	3,235
Year ended 31 December 2008				
Opening net book amount	175	1,837	1,223	3,235
Additions	—	130	114	244
Depreciation	(123)	(534)	(303)	(960)
Exchange differences	—	43	(4)	39
Closing net book amount	52	1,476	1,030	2,558
At 31 December 2008				
Cost	1,567	7,627	12,535	21,729
Accumulated depreciation	(1,515)	(6,151)	(11,505)	(19,171)
Net book amount	52	1,476	1,030	2,558

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Cost of sales	**4**	4
General and administrative expenses	**956**	1,424
	960	1,428

Company

	Leasehold improvements	**Furniture, fixtures and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2007			
Cost	1,567	1,406	2,973
Accumulated depreciation	(1,269)	(788)	(2,057)
Net book amount	298	618	916
Year ended 31 December 2007			
Opening net book amount	298	618	916
Additions	—	44	44
Depreciation	(123)	(182)	(305)
Closing net book amount	175	480	655
At 31 December 2007			
Cost	1,567	1,450	3,017
Accumulated depreciation	(1,392)	(970)	(2,362)
Net book amount	175	480	655
Year ended 31 December 2008			
Opening net book amount	175	480	655
Additions	—	27	27
Depreciation	(123)	(188)	(311)
Closing net book amount	52	319	371
At 31 December 2008			
Cost	1,567	1,477	3,044
Accumulated depreciation	(1,515)	(1,158)	(2,673)
Net book amount	52	319	371

7. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Trademarks and licences HK$'000	Total HK$'000
At 1 January 2007			
Cost	7,041	975	8,016
Accumulated amortisation	(6,545)	(606)	(7,151)
Net book amount	496	369	865
Year ended 31 December 2007			
Opening net book amount	496	369	865
Additions	5	320	325
Amortisation	(271)	(356)	(627)
Exchange differences	(1)	4	3
Closing net book amount	229	337	566
At 31 December 2007			
Cost	7,399	1,315	8,714
Accumulated amortisation	(7,170)	(978)	(8,148)
Net book amount	229	337	566
Year ended 31 December 2008			
Opening net book amount	229	337	566
Additions	27	—	27
Amortisation	(219)	(168)	(387)
Exchange differences	4	2	6
Closing net book amount	41	171	212
At 31 December 2008			
Cost	7,623	1,304	8,927
Accumulated amortisation	(7,582)	(1,133)	(8,715)
Net book amount	41	171	212

7. INTANGIBLE ASSETS *(Continued)*

Amortisation of the Group's intangible assets has been charged to the consolidated income statement as follows:

	2008 *HK$'000*	2007 *HK$'000*
General and administrative expenses	**381**	621
Distribution costs	**6**	6
	387	627

8. INVESTMENTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2008 *HK$'000*	2007 *HK$'000*
Unlisted shares, at cost	**88,010**	88,010
Less: Provision for impairment	**(77,543)**	(77,543)
	10,467	10,467

8. INVESTMENTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

(a) Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2008:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered share capital	Percentage of equity interest attributable to the Group	
				Directly held	Indirectly held
Win Win Property Investments Limited	The British Virgin Islands, limited liability company	Inactive	1 ordinary share of 1 US dollar each	100%	—
Wellba Investment Limited	Hong Kong, limited liability company	Inactive	2 ordinary shares of 1 HK dollar each and 2,000,001 non-voting deferred shares of 1 HK dollar each	—	100%
Rockey Company Limited	Hong Kong, limited liability company	Investments holding in Hong Kong	2 ordinary shares of 1 HK dollar each	100%	—
Harvest Century Enterprises Limited	Hong Kong, limited liability company	Inactive	10,000 ordinary shares of 1 HK dollar each	100%	—
SyncMOS Technologies, Inc. (BVI)	The British Virgin Islands, limited liability company	Investments holding in Hong Kong	1 ordinary share of 1 US dollar each	100%	—

8. INVESTMENTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(Continued)*

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered share capital	Percentage of equity interest attributable to the Group	
				Directly held	Indirectly held
Shanghai SyncMOS Semiconductor Company Limited	The PRC, wholly foreign owned enterprise	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC	Registered capital of US$7,000,000	—	100%
SyncMOS Technologies, Inc. (Cayman Islands)	Cayman Islands, limited liability company	Inactive	1 ordinary share of 1 US dollar each	100%	—
SyncMOS Technologies International, Inc. 新茂國際科技股份有限公司	Taiwan, limited liability company	Design, distribution and trading of electronic materials and components and provision of related agency services in Taiwan	32,000,000 ordinary shares of 10 NT dollar each	—	55%

8. INVESTMENTS IN AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(Continued)

(b) Amounts due from/(to) subsidiaries

	2008	2007
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**95,277**	94,280
Less: Provision for impairment	**(34,149)**	(15,309)
	61,128	78,971
Denominated in:		
— HK$	**61,128**	78,971
Amounts due to subsidiaries	**(10,340)**	(10,341)
Denominated in:		
— HK$	**(10,340)**	(10,341)

Balances with subsidiaries were unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from/(to) subsidiaries approximate their face values.

9. INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**5,098**	6,511
Work in progress	**6,512**	7,778
Finished goods	**9,583**	10,988
	21,193	25,277
Less: provision for inventories	**(3,889)**	(3,376)
Inventories, net	**17,304**	21,901

The cost of inventories recognised as expense and included in cost of sales amounted to HK$63,932,000 (2007: HK$79,288,000).

10. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**10,645**	11,931
Less: provision for impairment of receivables	**—**	(16)
Trade receivables, net	**10,645**	11,915

As of 31 December 2008, trade receivables of HK$622,000 (2007: Nil) were 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, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality of these customers.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current	**10,023**	11,915
1 — 30 days	**622**	—
31 — 60 days	**—**	—
90 —180 days	**—**	16
	10,645	11,931
Denominated in:		
— US$	**8,939**	8,364
— NTD	**1,706**	2,664
— RMB	**—**	903
	10,645	11,931

The carrying amounts of trade receivables approximate their fair values as at 31 December 2008 (2007: same).

10. TRADE RECEIVABLES *(Continued)*

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**16**	50
Reversal of impairment of receivables	**(16)**	(34)
At 31 December	**—**	16

The creation and release of provision for impaired receivables have been included in general and administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the balance sheet date is the fair values of trade receivables disclosed above.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**1,695**	1,680	**1,233**	1,233
Prepayments	**1,580**	3,422	**241**	237
Other receivables	**879**	1,182	**—**	—
	4,154	6,284	**1,474**	1,470
Denominated in:				
— HK$	**1,535**	1,532	**1,474**	1,470
— NTD	**2,306**	3,344	**—**	—
— RMB	**313**	1,408	**—**	—
	4,154	6,284	**1,474**	1,470

The carrying amount of deposits, prepayments and other receivables approximate their fair values as at 31 December 2008 (2007: same).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities in				
— United States	**6,293**	107,236	**6,293**	107,236
— Hong Kong	**3,612**	5,036	**—**	—
Market value of listed securities	**9,905**	112,272	**6,293**	107,236

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement (Note 26).

Changes in fair value of the financial assets at fair value through profit or loss are recorded in "other losses, net" in the consolidated income statement (Note 24).

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

13. RESTRICTED CASH

	Group	
	2008	2007
	HK$'000	*HK$'000*
Restricted cash	**246**	248
Denominated in:		
— NTD	**246**	248

Restricted cash as at 31 December 2008 represents bank deposits pledged to secure the payment of value added tax as required by Taiwan Tax Bureau. The amount was denominated in New Taiwan dollar with an effective interest rate of 1.70% per annum (2007: 2.13% per annum).

14. CASH AND BANK BALANCES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Note 2.19)		
Cash at bank	**18,470**	23,979	**1,863**	8,896
Term deposits with original maturities of three months or less *(Note a)*	**21,140**	65,695	**9,330**	9,277
Cash on hand	**134**	50	**4**	4
Cash and cash equivalents	**39,744**	89,724	**11,197**	18,177
Term deposits with original maturities of over three months *(Note a)*	**54,900**	15,505	**—**	—
Cash and bank balances	**94,644**	105,229	**11,197**	18,177
Denominated in:				
— HK$	**20,740**	24,498	**11,143**	18,111
— US$	**2,827**	19,485	**54**	66
— NTD	**62,651**	54,535	**—**	—
— RMB *(Note b)*	**8,426**	6,711	**—**	—
	94,644	105,229	**11,197**	18,177

Note:

(a) The effective interest rate on term deposits was 1.64% (2007: 2.55%) these deposits have an average maturity of 262 days (2007: 100 days).

(b) At 31 December 2008, funds of the Group amounting to RMB7,469,000 are kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2007: RMB7,310,000).

15. SHARE CAPITAL

	Number of share (thousands)	Ordinary shares *HK$'000*	Share premium *HK$'000*	Total share capital *HK$'000*
At 1 January 2007, 31 December 2007 and 31 December 2008	336,587	33,659	101,263	134,922

The total authorised number of ordinary shares is 500 million shares (2007: 500 million shares) with a par value of HK$0.1 per share (2007: HK$0.1 per share). All issued shares are fully paid.

Stock options

On 29 November 2006, an ordinary resolution was passed at a special general meeting for approving the adoption of a share option scheme (the "Scheme") by a non wholly-owned subsidiary, SyncMOS Technologies International, Inc. ("SyncMOS Taiwan"). SyncMOS Taiwan may grant options to its full-time employees, including any executive and non-executive directors, to subscribe for shares of SyncMOS Taiwan.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	2008		2007	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**2.48**	**2,610,000**	2.45	2,960,000
Granted	**—**	**—**	—	—
Exercised	**—**	**—**	—	—
Forfeited	**—**	**(90,000)**	—	(350,000)
Exchange differences	**(0.02)**	**—**	0.03	—
At 31 December	**2.46**	**2,520,000**	2.48	2,610,000

As at 31 December 2008, 2,520,000 options are exercisable (2007: 1,305,000).

15. SHARE CAPITAL *(Continued)*

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Date of grant	Exercise period	Exercise price (equivalent HK$ per share)	Number of share options
1 December 2006	1 December 2007 to 31 December 2009	2.46	1,260,000
1 December 2006	1 December 2008 to 31 December 2009	2.46	1,260,000
			2,520,000

The weighted average fair value of options granted during the year determined by using the binomial valuation model was HK$1.08 per option. The significant inputs into the model were fair value per share of SyncMOS Taiwan of HK$3.42, at the grant date, the exercise price shown above, volatility of 32%, dividend yield of 3.58%, an expected option life of two years and on annual risk-free interest rate of 1.82%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of weekly share prices of the companies engaged in similar industry over the last two years prior to the grant date.

16. RESERVES

Group

	Exchange reserve *HK$'000*	Employee share-based compensation reserve *HK$'000*	Statutory reserve *HK$'000*	Total *HK$'000*
At 1 January 2007	1,619	196	2,046	3,861
Transferred to Taiwan statutory reserve	—	—	505	505
Currency translation differences	886	—	—	886
Employee share-based compensation scheme	—	2,073	—	2,073
At 31 December 2007	2,505	2,269	2,551	7,325
Transferred to Taiwan statutory reserve	—	—	331	331
Currency translation differences	123	—	—	123
Employee share-based compensation scheme	—	620	—	620
At 31 December 2008	2,628	2,889	2,882	8,399

Note:

Pursuant to the relevant Taiwan statutory regulations, a company incorporated in Taiwan is required to set aside 10% of its net profit for the year reported in the local statutory financial statements as general reserve fund. This general reserve fund is non-distributable and can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of the company.

16. RESERVES *(Continued)*

Company

	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Total *HK$'000*
At 1 January 2007, 31 December 2007 and 31 December 2008	137,800	20,566	158,366

The contributed surplus of the Company represents the excess of the net asset value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

17. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group	
	2008 ***HK$'000***	2007 *HK$'000*
Current	**8,563**	14,206
Denominated in:		
— NTD	**8,522**	14,206
— US$	**41**	—
	8,563	14,206

The carrying amounts of trade payables approximate their fair values as at 31 December 2008 (2007: same).

18. DEFERRED INCOME TAX

Deferred tax assets

	Group	
	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**—**	(349)
— Deferred tax asset to be recovered within 12 months	**—**	(381)
	—	(730)

The gross movement on the deferred tax assets is as follows:

Deferred tax assets

	Group	
	2008	2007
	HK$'000	*HK$'000*
Unused tax credit		
Beginning of the year	**730**	1,751
Charged to the consolidated income statement	**(748)**	(1,021)
Exchange differences	**18**	—
End of the year	**—**	730

Deferred tax assets are recognised for tax credit and tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profit is probable. At 31 December 2008, the Group has unused tax credit and tax losses of approximately HK$11 million (2007: HK$11 million) and HK$67 million (2007: HK$58 million) respectively. The tax credit and tax losses are subject to approval of the relevant tax authorities in the respective jurisdictions.

18. DEFERRED INCOME TAX *(Continued)*

Unrecognised tax credit of approximately HK$11 million (2007: HK$11 million) is to expire as follows:

Expiry	Tax credits *HK$ million*
2009	2
2010	3
2011	4
2012	2
	11

19. EXPENSES BY NATURE

	2008 ***HK$'000***	2007 *HK$'000*
Charges in inventories	**63,932**	79,288
Amortisation of intangible assets *(Note 7)*	**387**	627
Auditors' remuneration	**1,612**	1,566
Depreciation of property, plant and equipment *(Note 6)*	**960**	1,428
Operating lease rentals in respect of land and buildings	**4,654**	3,839
Reversal of provision for impairment of trade receivables *(Note 10)*	**(16)**	(34)
Provision for inventories *(Note 9)*	**513**	1,528
Research and development costs	**1,566**	2,572
Marketing costs	**1,595**	1,481
Employee benefit expenses *(Note 21)*	**21,240**	22,612
Reversal of provision for customers' claims	**—**	(2,228)
Other expenses	**7,110**	5,375
Total cost of sales, distribution costs and general and administrative expenses	**103,553**	118,054

20. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**1,906**	2,251
Sundry income	**1,855**	3,427
	3,761	5,678

21. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**14,268**	12,539
Provision for bonuses and welfare fund	**5,232**	6,984
Share options granted to employees	**620**	2,018
Pension costs — defined contribution plan	**760**	711
Directors' emoluments	**360**	360
	21,240	22,612

21. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Directors' emoluments

The remuneration of each Director for the years ended 31 December is set out below:

	2008	2007
	HK$'000	*HK$'000*
Fee for Executive Directors		
— Mr. Yip Chi Hung	**—**	—
— Mr. Chen Che Yuan	**—**	—
Fee for Independent Non-executive Directors		
— Mr. Wong Chi Keung	**120**	120
— Mr. Cheung Hok Ming, Albert	**120**	120
— Mr. Ma Kwai Yuen	**120**	120
	360	360

None of the Directors waived any emoluments during the year.

(b) Five highest paid individuals

None of the five highest paid individuals was a director of the Company (2007: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals (2007: five) during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries and allowances	**2,377**	2,204
Bonuses	**732**	1,035
Pension costs — defined contribution plan	**95**	95
	3,204	3,334

21. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
Nil — HK$1,000,000	**4**	4
HK$1,000,001 — HK$1,500,000	**1**	1
	5	5

During the year, no emolument was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No Directors waived or agreed to waive any emoluments during the year (2007: Nil).

22. INCOME TAX CREDIT/(EXPENSE)

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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.

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
— Overseas income tax expense	**(351)**	(910)
— Over provision in prior years	**1,163**	1,186
Deferred income tax *(Note 18)*	**(748)**	(1,021)
	64	(745)

22. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to profit in the respective countries as follows:

	2008 **HK$'000**	2007 HK$'000
Loss before income tax	**(115,022)**	(61,791)
Tax calculated at domestic tax rates applicable to profit in the respective countries	**18,835**	10,866
Income not subject to tax	**81**	1,508
Expenses not deductible for tax purpose	**(17,482)**	(12,915)
Utilisation of previously unrecognised tax losses	**—**	258
Tax losses for which no deferred tax income asset was recognised	**(1,785)**	(944)
Utilisation of previously unrecognised income tax credit	**—**	317
Reversal of tax credit	**(748)**	(1,021)
Over provision in prior years	**1,163**	1,186
Income tax credit/(expense)	**64**	(745)

During the year, the Hong Kong corporation tax rate has changed from 17.5% to 16.5% that is effective from 1 April 2008.

No corporate income tax was provided for by Shanghai SyncMOS Semiconductor Company Limited ("Shanghai SyncMOS"), a subsidiary of the Group operating in the PRC, as of 31 December 2008. According to the PRC tax regulations, Shanghai SyncMOS was entitled to a two-year tax exemption and three-year 50% tax reduction starting from its first year of profitability. For the year ended 31 December 2008, Shanghai SyncMOS was in its second year of tax holiday. Starting from 2009, Shanghai SyncMOS is entitled to a 50% reduction of the 25% enterprise income tax rate i.e. 12.5%.

23. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders includes a net loss of approximately HK$126,128,000 (2007: net loss of HK$37,052,000) dealt within the financial statements of the Company.

24. OTHER LOSSES, NET

Other losses recognised during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Financial assets at fair value through profits or loss:		
— realised fair value gains	**—**	2,177
— unrealised fair value losses	**(103,796)**	(63,981)
Exchange gain/(loss), net	**329**	(113)
Other losses, net	**(103,467)**	(61,917)

25. LOSS PER SHARE

(a) Basic

The calculation of basic loss per share for the year ended 31 December 2008 is based on the consolidated loss attributable to the equity holders of the Company of approximately HK$113,128,000 (2007: HK$62,773,000) and 336,587,142 shares (2007: 336,587,142 shares) in issue during the year. Details of basic loss per share are analysed as follows:

	2008	2007
	HK cents	*HK cents*
Basic loss per share	**(33.61)**	(18.65)

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 December 2008 (2007: same).

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of loss before income tax for the year to cash used in operating activities:

	2008	2007
	HK$'000	*HK$'000*
Loss before income tax	**(115,022)**	(61,791)
Adjustments for:		
— Interest income	**(1,906)**	(2,251)
— Amortisation of intangible assets	**387**	627
— Depreciation of property, plant and equipment	**960**	1,428
— Fair value loss from financial assets at fair value through profit or loss	**103,796**	63,981
— Employee share option expense	**620**	2,073
— Provision for inventories	**513**	1,528
— Reversal of provision for impairment of trade receivables	**(16)**	(34)
— Realised gain on disposal of financial assets at fair value through profit or loss	**—**	(2,177)
	(10,668)	3,384
Changes in working capital:		
— Decrease/(increase) in inventories	**4,084**	(11,203)
— Decrease in trade receivables	**1,286**	2,431
— Decrease/(increase) in deposits, prepayments, and other receivables	**2,130**	(540)
— Decrease in trade payables, other payables and accruals	**(7,320)**	(5,317)
— Decrease in amount due to a related party	**1,250**	55
Cash used in operating activities	**(9,238)**	(11,190)

27. OPERATING LEASE COMMITMENTS

The total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2008	2007
	HK$'000	*HK$'000*
— Not later than one year	**4,063**	4,498
— Later than one year and not later than five years	**3,655**	6,290
	7,718	10,788

28. RELATED PARTY TRANSACTIONS

The Group is controlled by Mosel Vitelic Inc. ("MVI") (a listed company in Taiwan), which owns approximately 32% of the Company's issued shares ("Shares"). Until on or about 16 October 2008, the Group had been controlled by Texan Management Limited ("Texan") (incorporated in the British Virgin Islands), which owns approximately 43% of the Shares.

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 instituted by Pacific Electric, as plaintiff, on 23 September 2004 in the High Court of Hong Kong against, among others, Texan and All Dragon International Limited in respect of, among others, the ownership of certain Shares held by Texan. 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 owned by it 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.

28. RELATED PARTY TRANSACTIONS *(Continued)*

Subsequent to 31 December 2008, 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.

(a) The following transactions were carried out with related parties:

	Note	**2008**	2007
		HK$'000	*HK$'000*
Rental income from			
Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), entity with directorships in common	*(i)*	**355**	243
Expense paid/payable to MVI and its group companies			
Rental expense	*(ii)*	**165**	88
Design service fees	*(iii)*	**1,478**	211
Other service fees	*(iii)*	**88**	84
		1,731	383

Note:

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

(ii) The rental and management fees were charged by reference to open market rental as appraised by an independent valuer for comparable premises.

(iii) The design service and other service fees payable to MVI were at a price mutually agreed between the parties.

28. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2008	2007
	HK$'000	*HK$'000*
Basic salaries and allowances	**803**	749
Bonuses	**237**	394
Pension cost — defined contribution plan	**8**	15
	1,048	1,158

(c) Year end balances arising from sales/purchase of services

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due from				
MVI and its group companies	**—**	—	**3**	3
Amount due to				
MVI and its group companies	**3,654**	2,404	**—**	—

Balances with a related company are unsecured, interest-free and repayable on demand.

The carrying amount of amounts due from/to a related party approximates its fair value.

29. OTHER PAYABLES AND ACCRUALS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Accrued staff benefits	**3,942**	4,449
Accrued professional fees	**1,282**	1,192
Advances from customers	**446**	669
Others	**1,403**	2,441
	7,073	8,751

30. FINANCIAL INSTRUMENTS BY CATEGORY — GROUP

	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Available-for-sale	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008					
Trade and other receivables excluding prepayments	13,219	—	—	—	13,219
Financial assets at fair value through profit or loss *(Note 12)*	—	9,905	—	—	9,905
Cash and bank balances *(Note 14)*	94,644	—	—	—	94,644
Restricted cash *(Note 13)*	246	—	—	—	246
Total	108,109	9,905	—	—	118,014
At 31 December 2007					
Trade and other receivables excluding prepayments	14,777	—	—	—	14,777
Financial assets at fair value through profit or loss *(Note 12)*	—	112,272	—	—	112,272
Cash and bank balances *(Note 14)*	105,229	—	—	—	105,229
Restricted cash *(Note 13)*	248	—	—	—	248
Total	120,254	112,272	—	—	232,526

30. FINANCIAL INSTRUMENTS BY CATEGORY — GROUP *(Continued)*

	Other financial liabilities *HK$'000*	Liabilities at fair value through profit or loss *HK$'000*	Derivatives used for hedging *HK$'000*	Total *HK$'000*
At 31 December 2008				
Trade payables, other payables and accruals	15,636	—	—	15,636
Amount due to a related party *(Note 28)*	3,654	—	—	3,654
Total	19,290	—	—	19,290
At 31 December 2007				
Trade payables, other payables and accruals	22,957	—	—	22,957
Amount due to a related party *(Note 28)*	2,404	—	—	2,404
Total	25,361	—	—	25,361