PacMOS Technologies Holdings Limited

(Stock Code : 1010)

Annual Report 2010

Contents

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

Suites 2905-10, Dah Sing Financial Centre
108 Gloucester Road, Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
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

EXECUTIVE DIRECTORS

Mr. Yip Chi Hung, aged 52, 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 56, 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. With effect from 11 March 2011 Mr. Chen has resigned as 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.

Recently, Mr. Chen has joined OPTOTECH Corporation ("OPTOTECH"), a listed company in Taiwan, as Project Director and as the General Manager of its affiliated company, Ningbo OPTOTECH Semiconductor Co., Ltd.. OPTOTECH is engaged in manufacturing of products of LED, silicon based components and outdoor displays who is one of the major LED chips manufacturer in the Science-Base Industrial Park, Hsin Chiu, Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung, aged 56, 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 licensed representative for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) 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 Yuexiu Property Company Limited (formerly known as 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 (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings 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 was also an independent non-executive director of (i) Great Wall Motor Company Limited for the period from 20 August 2003 to 5 June 2009, and (ii) International Entertainment Corporation for the period from 24 September 2004 to 23 September 2008, 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 49, has been appointed as an independent non-executive director of the Company since 30 September 2004. Mr. Cheng has extensive working experience in 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 58, obtained his master's degree in law from University of Wolverhampton (U.K.) in October 2009. He 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, nomination and remuneration committees of China Aoyuan Property Group Limited and Genvon Group Limited (formerly known as Wang Sing International Holdings Group Limited), companies listed on the Stock Exchange. Mr. Ma was also an independent non-executive director of (i) China Boon Holdings Limited (formerly known as Vision Tech International Holdings Limited) for the period from 6 March 2008 to 10 June 2009, and (ii) China Shineway Pharmaceutical Group Limited for the period from 30 May 2008 to 16 December 2009, 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 Cost and Management Accountants, 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 thirty years of professional experience in the accounting and financial management and consulting industries.

Financial Summary

RESULTS

	2010 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Continuing operations:					
Turnover	**86,689**	67,304	88,237	112,502	125,552
Profit/(loss) before income tax	**12,025**	(3,147)	(115,022)	(61,791)	29,232
Income tax (expenses)/ credit	**(45)**	329	64	(745)	355
Profit/(loss) for the year	**11,980**	(2,818)	(114,958)	(62,536)	29,587
Attributable to:					
Equity holders of the Company	**14,890**	350	(113,128)	(62,773)	25,446
Non-controlling interests	**(2,910)**	(3,168)	(1,830)	237	4,141
	11,980	(2,818)	(114,958)	(62,536)	29,587

Financial Summary

COMBINED ASSETS AND LIABILITIES

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	31 December 2008 *HK$'000*	31 December 2007 *HK$'000*	31 December 2006 *HK$'000*
Non-current assets	**3,906**	3,756	3,508	5,275	7,146
Net current assets	**135,591**	116,684	117,608	232,342	292,894
Total assets less current liabilities	**139,497**	120,440	121,116	237,617	300,040
Non-current liabilities	**(520)**	(1,241)	—	—	—
Net assets	**138,977**	119,199	121,116	237,617	300,040
Non-controlling interest	**(35,688)**	(35,155)	(36,638)	(40,754)	(43,363)
	103,289	84,044	84,478	196,863	256,677
Shareholders' equity					
Share capital	**134,922**	134,922	134,922	134,922	134,922
Reserves	**(31,633)**	(50,878)	(50,444)	61,941	121,755
	103,289	84,044	84,478	196,863	256,677

OTHER DATA

Basic & diluted earnings/(loss) per share	**4.42 cents**	0.10 cents	(33.61 cents)	(18.65 cents)	7.56 cents
Shareholders' equity per share	**31 cents**	25 cents	25 cents	58 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 2010.

For the year ended 31 December 2010, the Group achieved a turnover of approximately HK$86.7 million, as compared to that of last year of approximately HK$67.3 million. The profit attributable to equity holders of the Company amounted to approximately HK$14.9 million, as compared to that of last year of approximately HK$0.35 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2010.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

With improvement in worldwide economic environment, the main business of the Group has been recovering gradually during the year. The turnover of the Group improved to approximately HK$86.7 million for the year ended 31 December 2010 as compared to that of approximately HK$67.3 million for the year ended 31 December 2009. The Group recorded a gross profit of approximately HK$25.1 million as compared to approximately HK$17.5 million for the year ended 31 December 2009.

For the year ended 31 December 2010, the turnover of the Group's operation in Taiwan increased to approximately HK$75.6 million as compared to approximately HK$59.6 million last year. It recorded a gross profit of approximately HK$17.9 million as compared to approximately HK$12.8 million last year. Due to the continuing soft customers demand and weak United States Dollars, the operation in Taiwan recorded a net loss of approximately HK$6.5 million for the current year under review as compared to a net loss of approximately HK$7.0 million for the last year.

The operation in Shanghai recorded a turnover of approximately HK$11.0 million for the year ended 31 December 2010 as compared to approximately HK$7.7 million for the year ended 31 December 2009. The operation in Shanghai recorded a gross profit of approximately HK$7.2 million as compared to approximately HK$4.7 million for the year ended 31 December 2009. The operation recorded a net profit of approximately HK$0.3 million for the current year under review as compared to a net loss of approximately HK$2.5 million for the last year.

Chairman's Statement

Investment holding

As at 31 December 2010, the Company held approximately 2.9 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

As at 31 December 2010, the closing market price of ChipMOS was US$1.53 as compared to US$0.71 as at 31 December 2009. Consequently, an unrealized gain of approximately HK$18.1 million was recorded due to mark-to-market valuation of the shares for the year under review.

On 18 December 2009, the Company and ChipMOS entered into a purchase agreement, that the Company would acquire a convertible bond to be issued by ChipMOS with a principal amount of US$1.5 million. On 9 February 2010, a special shareholders' meeting of the Company was convened to approve the purchase agreement and the transaction was completed on 8 March 2010. The convertible bond purchased is recorded by the Company as an financial asset at fair value through profit or loss. The valuation of the convertible bond as at 31 December 2010 was approximately US$2.4 million with an unrealised gain recognised to income statement of approximately HK$7.0 million for the year ended 31 December 2010.

FUTURE PLANS AND PROSPECTS

We shall continue to focus our efforts on our current main business in design and distribution of integrated circuit products. Research and development works to improve our existing products and developing new 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, 15 March 2011

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalents of the Group amounted to approximately HK$32.4 million as at 31 December 2010 as compared to approximately HK$30.6 million as at 31 December 2009. As at 31 December 2010, the Group also held short –term bank deposits of approximately HK$34.8 million (2009: approximately HK$49.4 million)

For the year ended 31 December 2010, the Group recorded a net increase in cash and cash equivalents of approximately HK$1.8 million.

GEARING RATIO

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 12.0% as at 31 December 2010 (2009: approximately 11.5%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2010, the total liabilities of the Group were approximately HK$18.9 million (2009: approximately HK$15.6 million).

FOREIGN CURRENCY EXPOSURE

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

For the year ended 31 December 2010, a net exchange loss of approximately HK$1.8 million (2009: exchange loss of approximately HK$1.0 million) was recognized in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK$4.3 million were credited to exchange reserve.

CAPITAL STRUCTURE

The profit attributable to shareholders for the year ended 31 December 2010 of approximately HK$ 14.9 million was transferred to accumulated losses of the Company. There was no change in the capital of the Company for the year under review. As at 31 December 2010, the shareholders' fund amounted to approximately HK$103.3 million (2009: approximately HK$84.0 million).

INVESTMENTS AND CAPITAL ASSETS

In December 2009, the Company announced that it would invest US$1.5 million in a 5-year convertible bond issued by ChipMOS with an interest income of 8% per annum and has a conversion price of US$1.25 per share of ChipMOS. A special shareholders' meeting was held on 9 February 2010 for the approval of the transaction. The transaction was completed on 8 March 2010. If the convertible bond is fully converted, the Company will obtain additional 1,200,000 shares of ChipMOS. No conversion was made during the year.

As at 31 December 2010, the Company held approximately 2.9 million shares of ChipMOS. The closing market price of ChipMOS was US$1.53 per share as at 31 December 2010. During the year, the Company sold approximately 400,000 shares of ChipMOS at selling prices between US$1.28 to US$1.60 with a net proceeds of approximately HK$4.5 million and a realized gain of approximately HK$2.3 million.

After the year end on 21 January 2011, ChipMOS implemented a 4-to-1 reverse stock split that every four shares of ChipMOS were combined as one new share of ChipMOS. On 14 March 2011, the closing market price of ChipMOS was US$8.22.

During the year ended 31 December 2010, the Group also sold shares of Hong Kong listed companies amounted to approximately HK$4.4 million.

CHARGES ON ASSETS

As at 31 December 2010, restricted cash amounted to approximately HK$0.3 million (2009: approximately HK$0.2 million) which were mainly for the purpose of securing payment of value added tax.

SEGMENT INFORMATION

For the year ended 31 December 2010, approximately 87% of turnover of the Group was generated from the Group's operation in Taiwan. The Taiwan operation recorded a loss of approximately HK$6.5 million (2009: loss of approximately HK$7.0 million), while the operation in Shanghai recorded a profit of approximately HK$0.3 million (2009: loss of approximately HK$2.5 million).

HUMAN RESOURCES

The headcount of the Group as at 31 December 2010 was approximately 90 (2009: approximately 84).

The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2010.

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 2010.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investments holding. The activities of its subsidiaries are set out in Note 8 to the financial statements.

An analysis of the Group's performance for the year by operating segments 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 2010 are set out in the consolidated income statement on page 31.

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 33 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.

Report of the Directors

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 2010, calculated under the Companies Act 1981 of Bermuda, were HK$ nil (2009: HK$nil).

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 page 5.

CHARITABLE DONATIONS

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

DIRECTORS

The Directors during the year ended 31 December 2010 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 Ma Kwai Yuen will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Report of the Directors

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 2010, 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 2010, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Report of the Directors

Name of Shareholder	Number of issued shares	Percentage holding
Texan Management Limited *(note (1))*	145,610,000	43.3%
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, 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 successful appealed against the Order in the Court of Appeal on 2 and 3 March 2009; and

(ii) the Court of Appeal ordered on 3 March 2009 that the Order be discharged.

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

(i) pursuant to an order of the Court of Appeal dated 3 March 2009 ("Court of Appeal Order"), Pacific Electric was ordered by the Court of Appeal to procure PAH to transfer 145,609,999 Shares to Texan and PC Asia; and

(ii) due to Pacific Electric's non-compliance with the Court of Appeal Order, Texan and PC Asia applied to the court for the execution of the relevant share transfers by a judicial officer in place of PAH, and such application was approved by the court on 31 July 2009. Accordingly, the said 145,609,999 Shares had been transferred to Texan (as to 145,609,998 Shares) and to PC Asia (as to 1 Share).

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

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, 5 March 2009 and 25 August 2009.

(2) Mosel Vitelic Inc. had notified the Company, as of 27 June 1997, it was deemed to be interested in the106,043,142 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 associated corporations 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

During the year ended 31 December 2010, the five largest customers of the Group accounted for approximately 72% of the Group's total turnover while the largest customer of the Group accounted for approximately 34% of the Group's total turnover. In addition, for the year ended 31 December 2010 the five largest suppliers of the Group accounted for approximately 82% of the Group's total purchases while the largest supplier of the Group accounted for approximately 35% 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$386,000 (2009: HK$386,000) 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. The Group is substantially held by Mosel Vitelic Inc. ("MVI") (a listed company in Taiwan), which owns approximately 32% of the Company's issued shares. The following expenses were paid/payable to MVI and/or its subsidiaries during the year:

	2010	2009
	HK$'000	*HK$'000*
Rental expense	**90**	88
Design service fees	**—**	336
Other service fees	**88**	85
	178	509

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.

On 18 December 2009, the Company and ChipMOS Technologies (Bermuda) Ltd ("ChipMOS") entered into a purchase agreement, pursuant to which ChipMOS will issue to the Company and the Company will acquire a convertible bond to be issued by ChipMOS with a principal amount of US$1,500,000, subject to the terms and conditions contained therein. The conditions precedent in the purchase agreement included, among others, that the Company having obtained approval from its shareholders of the purchase agreement and the Company's purchase of the convertible bond in compliance with applicable requirements under the Rules Governing the Listing of Securities on the Stock Exchange.

Report of the Directors

On 9 February 2010, a special shareholders meeting of the Company was convened to approve the purchase agreement. On 8 March 2010, the conditions precedent in the purchase agreement were fulfilled and completion of the transaction was taken place.

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 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 2010, 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 consolidated financial statements of the Group for the year ended 31 December 2010.

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, 15 March 2011

Corporate Governance Report

The Group recognizes the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability.

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 of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except the following deviations:

Code A.4.1

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

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

Code A.4.2

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2010, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

Corporate Governance Report

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 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 and have made active contribution to the affairs of the Board. 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 4 meetings during the year. The attendance of individual Directors to the Board meetings in 2010 is summarised below.

	Attendance
Executive directors	
— Mr. Yip Chi Hung *(Chairman)*	4/4
— Mr. Chen Che Yuan *(Chief Executive Officer)*	4/4
Independent non-executive directors	
— Mr. Wong Chi Keung	4/4
— Mr. Cheng Hok Ming, Albert	4/4
— Mr. Ma Kwai Yuen	4/4

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 4 occasions 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 count 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.

Corporate Governance Report

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 principals 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 audits.

In 2010, the Audit Committee has reviewed the Group's (i) annual report for the year ended 31 December 2010, (ii) interim report for the 6 months ended 30 June 2010, 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 2010, the Remuneration Committee has reviewed and recommended to the Board the Directors' remuneration.

During the year, 1 meeting was held with the management. Members of the Remuneration Committee and their respective attendance at committee meeting are 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

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 2010, 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 are 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 2010, fees payable for audit and audit-related services to PricewaterhouseCoopers and other auditors were HK$1,199,000 and HK$239,000 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 unauthorized 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, with the assistance of the management of the Company, the Board has reviewed quarterly the effectiveness of the Group's internal control systems covered financial, operational and compliance controls and risk management functions. No significant deficiencies in internal controls were noted.

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 chairmen of the board committees or other members of the respective committees are normally available to answer questions at general meetings.

The Company is committed to maximizing the use of its website as a channel to provide updated information in a timely manner and strengthen the communication with shareholders.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. The notice of general meeting is distributed to all shareholders and accompanying circular with details of each proposed resolution and other relevant information as required under the Listing Rules. Poll results of the general meetings are published 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 a special general meeting on 9 February 2010 approving the acquisition of convertible bond and an annual general meeting on 25 June 2010.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
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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 88, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010 and of the Group's profit 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, 15 March 2011

Consolidated Balance Sheet

	Note	As at 31 December 2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,053**	2,061
Intangible assets	7	**426**	65
Long-term deposits	11	**1,427**	1,630
		3,906	3,756
Current assets			
Inventories	9	**20,207**	16,060
Trade receivables	10	**9,016**	9,771
Deposits, prepayments and other receivables	11	**3,381**	1,425
Financial assets at fair value through profit or loss	12	**53,818**	23,494
Restricted cash	13	**275**	249
Short-term bank deposits	14	**34,843**	49,370
Cash and cash equivalents	14	**32,418**	30,632
		153,958	131,001
Total assets		**157,864**	134,757
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	**134,922**	134,922
Other reserves	16	**9,081**	7,615
Accumulated losses		**(40,714)**	(58,493)
		103,289	84,044
Non-controlling interest		**35,688**	35,155
Total equity		**138,977**	119,199

Consolidated Balance Sheet

		As at 31 December	
		2010	2009
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Other payables	*29*	**520**	1,241
Current liabilities			
Trade payables	*17*	**4,608**	5,494
Other payables and accruals	*29*	**9,947**	5,199
Amounts due to related parties	*28(c)*	**3,812**	3,624
		18,367	14,317
Total liabilities		**18,887**	15,558
Total equity and liabilities		**157,864**	134,757
Net current assets		**135,591**	116,684
Total assets less current liabilities		**139,497**	120,440

The financial statements on pages 28 to 88 were approved by the Board of Directors on 15 March 2011 and were signed on its behalf.

YIP Chi Hung
Director

CHEN Che Yuan
Director

The notes on pages 35 to 88 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**157**	259
Long-term deposits	*11*	**979**	1,224
Investments in subsidiaries	*8(a)*	**59,474**	67,524
		60,610	69,007
Current assets			
Deposits, prepayments and other receivables	*11*	**2,064**	303
Financial assets at fair value through profit or loss	*12*	**52,928**	17,772
Amounts due from related parties	*28(c)*	**3**	3
Cash and cash equivalents	*14*	**1,919**	7,138
		56,914	25,216
Total assets		**117,524**	94,223
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		**(189,644)**	(210,960)
Total equity		**103,644**	82,328
LIABILITIES			
Current liabilities			
Other payables and accruals		**3,540**	1,555
Amounts due to subsidiaries	*8(b)*	**10,340**	10,340
Total liabilities		**13,880**	11,895
Total equity and liabilities		**117,524**	94,223
Net current assets		**43,034**	13,321
Total assets less current liabilities		**103,644**	82,328

The financial statements on pages 28 to 88 were approved by the Board of Directors on 15 March 2011 and were signed on its behalf.

YIP Chi Hung
Director

CHEN Che Yuan
Director

The notes on pages 35 to 88 are an integral part of these consolidated financial statements.

Consolidated Income Statement

	Note	For the year ended 31 December 2010 HK$'000	2009 HK$'000
Revenue	5	**86,689**	67,304
Cost of sales	19	**(61,588)**	(49,763)
Gross profit		**25,101**	17,541
Distribution costs	19	**(3,842)**	(4,148)
General and administrative expenses	19	**(35,928)**	(30,860)
Other income	20	**1,531**	2,079
Other gains, net	24	**25,163**	12,241
Profit/(loss) before income tax		**12,025**	(3,147)
Income tax (expense)/credit	22	**(45)**	329
Profit/(loss) for the year		**11,980**	(2,818)
Attributable to:			
Equity holders of the Company		**14,890**	350
Non-controlling interest		**(2,910)**	(3,168)
		11,980	(2,818)
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company — basic and diluted	25	**4.42**	0.10

The notes on pages 35 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**11,980**	(2,818)
Other comprehensive income		
Currency translation differences	**7,798**	901
Total comprehensive income/(loss) for the year	**19,778**	(1,917)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**19,245**	(433)
Non-controlling interest	**533**	(1,484)
	19,778	(1,917)

The notes on pages 35 to 88 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 *HK$'000*	Employee share-based compensation reserve *(Note 16)* *HK$'000*	Statutory reserve *(Note 16)* *HK$'000*	Accumulated Losses *HK$'000*	Total *HK$'000*	Non-controlling interest *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2009	33,659	101,263	2,628	2,889	2,882	(58,843)	84,478	36,638	121,116
Currency translation differences	–	–	516	–	–	–	516	385	901
Profit/(loss) for the year	–	–	–	–	–	350	350	(3,168)	(2,818)
Total comprehensive income/(loss) for the year	–	–	516	–	–	350	866	(2,783)	(1,917)
Allocation of statutory reserve to non-controlling interest	–	–	–	–	(1,300)	–	(1,300)	1,300	–
Balance at 31 December 2009	33,659	101,263	3,144	2,889	1,582	(58,493)	84,044	35,155	119,199
Balance at 1 January 2010	33,659	101,263	3,144	2,889	1,582	(58,493)	84,044	35,155	119,199
Currency translation differences	–	–	4,355	–	–	–	4,355	3,443	7,798
Profit/(loss) for the year	–	–	–	–	–	14,890	14,890	(2,910)	11,980
Total comprehensive income for the year	–	–	4,355	–	–	14,890	19,245	533	19,778
Share options expired	–	–	–	(2,889)	–	2,889	–	–	–
Balance at 31 December 2010	33,659	101,263	7,499	–	1,582	(40,714)	103,289	35,688	138,977

The notes on pages 35 to 88 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2010 HK$'000	2009 HK$'000
Cash flow from operating activities			
Cash flow used in operations	*26*	**(15,602)**	(15,998)
Overseas taxes (paid)/refund		**(45)**	329
Net cash used in operating activities		**(15,647)**	(15,669)
Cash flows from investing activities			
Decrease in short-term bank deposits	*14*	**14,527**	6,183
Purchases of property, plant and equipment	*6*	**(538)**	(374)
Purchases of intangible assets	*7*	**(537)**	(2)
Purchases of financial assets at fair value through profit or loss		**(12,181)**	(383)
Proceeds from disposal of financial assets at fair value through profit or loss		**8,930**	—
Interest received	*20*	**1,274**	901
Net cash generated from investing activities		**11,475**	6,325
Net decrease in cash and cash equivalents		**(4,172)**	(9,344)
Cash and cash equivalents at the beginning of the year		**30,632**	39,744
Exchange gains on cash and cash equivalents		**5,958**	232
Cash and cash equivalents at the end of the year		**32,418**	30,632

The notes on pages 35 to 88 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2011.

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") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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.

2.1.1 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

HKFRS 3 (revised)	Business combinations
HKAS 27 (revised)	Consolidated and separate financial statements
HKAS 17 (amendment)	Leases

HKFRS 3 (revised), "Business combinations", and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. 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 are expensed.

HKAS 27 (revised) 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. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

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

2.1.2 Changes in accounting policy and disclosures *(Continued)*

(a) New and amended standards adopted by the Group *(Continued)*

HKAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The adoption of this revised standard has no impact on the financial statements.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

HK(IFRIC) 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) 18	Transfers of assets from customers
HK(IFRIC) 9	Reassessment of embedded derivatives
HK(IFRIC) 16	Hedges of a net investment in a foreign operation
HKAS 1 (amendment)	Presentation of financial statements
HKAS 36 (amendment)	Impairment of assets
HKFRS 2 (amendments)	Group cash-settled share-based payment transactions
HKFRS 5 (amendment)	Non-current assets held for sale and discontinued operations

HK(IFRIC) 17, "Distribution of non-cash assets to owners" (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

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

2.1.2 Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group *(Continued)*

HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

HK(IFRIC) 9, "Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement", effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

HK(IFRIC) 16, "Hedges of a net investment in a foreign operation" effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.

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

2.1.2 Changes in accounting policy and disclosures *(Continued)*

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group *(Continued)*

HKAS 1 (amendment), "Presentation of financial statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

HKAS 36 (amendment), "Impairment of assets", effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, "Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

HKFRS 2 (amendments), "Group cash-settled share-based payment transactions", effective from 1 January 2010. In addition to incorporating HK(IFRIC) 8, "Scope of HKFRS 2", and HK(IFRIC) 11, "HKFRS 2 — Group and treasury share transactions", the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

HKFRS 5 (amendment), "Non-current assets held for sale and discontinued operations". The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1.

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

2.1.2 Changes in accounting policy and disclosures *(Continued)*

(c) ***New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted***

The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9	Financial instruments
HKAS 24 (revised)	Related party disclosures
HKAS 32 (amendment)	Classification of rights issues
HK (IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
HK (IFRIC) — Int 14 (amendment)	Prepayments of a minimum funding requirement

HKFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace HKAS 39, "Financial instruments: recognition and measurement". HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

Revised HKAS 24 (revised), "Related party disclosures", issued in November 2009. It supersedes HKAS 24, "Related party disclosures", issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

"Classification of rights issues" (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with HKAS 8 "Accounting policies, changes in accounting estimates and errors". The Group will apply the amended standard from 1 January 2011.

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

2.1.2 Changes in accounting policy and disclosures *(Continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted *(Continued)*

HK (IFRIC) — Int 19, "Extinguishing financial liabilities with equity instruments", effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group entity's financial statements.

"Prepayments of a minimum funding requirement" (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

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 2010.

(a) Subsidiaries

Subsidiaries are all entities over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.2 Consolidation

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Board.

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.

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

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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.

(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 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 rate on the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment is 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 to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the 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 of two to five years.

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

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet 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.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans 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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and 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 end of the reporting period. These are classified as non-current assets. (Note 2.11).

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

2.8 Financial assets *(Continued)*

Regular way 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. Loans and 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 gains, net", in the period in which they arise.

2.9 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

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

2.9 Impairment of financial assets *(Continued)*

Assets carried at amortised cost *(Continued)*

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, 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.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.15 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.

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

2.15 Current and deferred income tax *(Continued)*

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 consolidated 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 substantively 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 for deferred income tax liability 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 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)*

2.16 Employee benefits *(Continued)*

(b) Bonus plans

Provision for bonus plans due wholly within twelve months after the 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 the employees' 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)*

2.17 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 revenue 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.

2.18 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.

2.19 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.

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"), the 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.

The Group currently does not have a foreign currency hedging policy.

At 31 December 2010, if HK dollar has strengthened/weakened by 5% against the RMB, with all other variables held constant, there will be no significant change in post-tax profit for the year (2009: no significant change in post-tax loss for the year).

If US dollar has strengthened/weakened by 10% (2009: 5%) against the NTD, with all other variable held constant, post-tax profit for the year would have been approximately HK$2,920,000 higher or lower (2009: post-tax loss for the year would have been approximately HK$1,540,000 higher or lower).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Interest rate risk

The Group's 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.

The impact on profit or loss of 26 basis-point (2009: 84 basis-point) shift would be a maximum increase/decrease of HK$191,000 for the year ended 31 December 2010 (2009: HK$734,000).

(iii) Price risk

The Group is exposed to equity securities price risk because investments in listed equities held by the Group are classified in the consolidated balance sheet as financial assets at 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 NASDAQ in the United States of America and The Stock Exchange of Hong Kong Limited.

For the year ended 31 December 2010, assuming the prices of the shares as at year end had increased/decreased by 5% (2009: 5%), the impact on post-tax profit would be approximately HK$2,691,000 higher or lower (2009: the impact on post-tax loss would be approximately HK$1,175,000 higher or lower).

The value of Group's investment in convertible bonds is determined by valuation techniques. Inputs used in the valuation include, among other things, the market price of the underlying shares of the convertible bonds. If the valuation of the convertible bonds are to increase/decrease by 10%, profit for the year ended 31 December 2010 would be increased/decreased by HK$1,866,000.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

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

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 at 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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 *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 December 2010					
Amounts due to a related party	3,812	—	—	—	3,812
Trade payables	4,608	—	—	—	4,608
Other payables and accruals	9,947	—	—	—	9,947
Other payables	—	520	—	—	520
At 31 December 2009					
Amounts due to a related party	3,624	—	—	—	3,624
Trade payables	5,494	—	—	—	5,494
Other payables and accruals	5,199	—	—	—	5,199
Other payables	—	740	501	—	1,241

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 2010, the gearing ratio was approximately 12% (2009: approximately 11.5%). Management considers a ratio of not more than 30% as optimal.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, short-term bank deposits, trade and other receivables, trade payables, other payables and accruals, and amounts due to related parties approximate their respective fair values due to their short maturities.

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Financial assets at fair value through profit or loss	35,158	18,660	—	53,818

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Major customers and suppliers

The five largest customers of the Group accounted for approximately 72% (2009: 70%) of the Group's total revenue while the largest customer of the Group accounted for approximately 34% (2009: 39%) of the Group's total revenue. In addition, for the year ended 31 December 2010 the five largest suppliers of the Group accounted for approximately 82% (2009: 81%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 35% (2009: 34%) 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 addressed below.

(a) Income taxes

The Group is subject to income taxes in several 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) Inventory

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Fair value of convertible bonds

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The group has used discounted cash flow analysis for financial assets at fair value through profit or loss that are not traded in active markets.

5. SEGMENT INFORMATION

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

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

(i) corporate administration and investment functions performed by the Hong Kong headquarters;

(ii) design and sales of micro-controller units used in a wide range of electronic products conducted through the Group's subsidiary in Taiwan; and

(iii) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group's subsidiary in the PRC.

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

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

5. SEGMENT INFORMATION *(Continued)*

	Hong Kong *HK$'000*	Taiwan *HK$'000*	PRC *HK$'000*	Total *HK$'000*
For the year ended 31 December 2010				
Revenues from external customers	—	75,658	11,031	86,689
Operating profit/(loss)	17,429	(6,908)	230	10,751
Bank interest income	760	442	72	1,274
Profit/(loss) before income tax	18,189	(6,466)	302	12,025
Income tax expense	—	—	(45)	(45)
Profit/(loss) for the year	18,189	(6,466)	257	11,980
Other gains/(losses) — net, included in profit/(loss) for the year	27,071	(1,892)	(16)	25,163
Depreciation and amortisation, included in profit/(loss) for the year	129	594	157	880
Capital expenditures	27	901	147	1,075
As at 31 December 2010				
Segment assets	59,457	88,465	9,942	157,864
Segment liabilities	(3,580)	(9,288)	(6,019)	(18,887)

5. SEGMENT INFORMATION *(Continued)*

	Hong Kong *HK$'000*	Taiwan *HK$'000*	PRC *HK$'000*	Total *HK$'000*
For the year ended 31 December 2009				
Revenues from external customers	—	59,570	7,734	67,304
Operating profit/(loss)	6,694	(8,175)	(2,567)	(4,048)
Bank interest income	2	805	94	901
Profit/(loss) before income tax	6,696	(7,370)	(2,473)	(3,147)
Income tax credit	—	329	—	329
Profit/(loss) for the year	6,696	(7,041)	(2,473)	(2,818)
Other gains/(losses) — net, included in profit/(loss) for the year	13,205	(960)	(4)	12,241
Depreciation and amortisation, included in profit/(loss) for the year	(270)	(618)	(145)	(1,033)
Capital expenditures	158	8	210	376
As at 31 December 2009				
Segment assets	39,188	86,512	9,057	134,757
Segment liabilities	(1,629)	(8,391)	(5,538)	(15,558)

For the year ended 31 December 2010, revenues of approximately HK$29,364,000 (for the year ended 31 December 2009: HK$26,398,000) are derived from a single external customer. These revenues are attributable to the Taiwan segment.

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 2009				
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
Year ended 31 December 2009				
Opening net book amount	52	1,476	1,030	2,558
Additions	—	374	—	374
Depreciation	(52)	(544)	(288)	(884)
Exchange differences	—	8	5	13
Closing net book amount	—	1,314	747	2,061
At 31 December 2009				
Cost	1,567	7,945	12,688	22,200
Accumulated depreciation	(1,567)	(6,631)	(11,941)	(20,139)
Net book amount	—	1,314	747	2,061
Year ended 31 December 2010				
Opening net book amount	—	1,314	747	2,061
Additions	—	174	364	538
Depreciation	—	(381)	(291)	(672)
Exchange differences	—	43	83	126
Closing net book amount	—	1,150	903	2,053
At 31 December 2010				
Cost	1,567	8,444	14,405	24,416
Accumulated depreciation	(1,567)	(7,294)	(13,502)	(22,363)
Net book amount	—	1,150	903	2,053

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:

	2010 *HK$'000*	2009 *HK$'000*
Cost of sales	**4**	48
General and administrative expenses	**668**	836
	672	884

Company

	Leasehold improvements *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
At 1 January 2009			
Cost	1,567	1,477	3,044
Accumulated depreciation	(1,515)	(1,158)	(2,673)
Net book amount	52	319	371
Year ended 31 December 2009			
Opening net book amount	52	319	371
Additions	—	159	159
Depreciation	(52)	(219)	(271)
Closing net book amount	—	259	259
At 31 December 2009			
Cost	1,567	1,636	3,203
Accumulated depreciation	(1,567)	(1,377)	(2,944)
Net book amount	—	259	259
Year ended 31 December 2010			
Opening net book amount	—	259	259
Additions	—	27	27
Depreciation	—	(129)	(129)
Closing net book amount	—	157	157
At 31 December 2010			
Cost	1,567	1,663	3,230
Accumulated depreciation	(1,567)	(1,506)	(3,073)
Net book amount	—	157	157

7. INTANGIBLE ASSETS

Group

	Computer software *HK$'000*	Trademarks and licences *HK$'000*	Total *HK$'000*
At 1 January 2009			
Cost	7,623	1,304	8,927
Accumulated amortisation	(7,582)	(1,133)	(8,715)
Net book amount	41	171	212
Year ended 31 December 2009			
Opening net book amount	41	171	212
Additions	2	—	2
Amortisation	(33)	(116)	(149)
Closing net book amount	10	55	65
At 31 December 2009			
Cost	7,705	1,321	9,026
Accumulated amortisation	(7,695)	(1,266)	(8,961)
Net book amount	10	55	65
Year ended 31 December 2010			
Opening net book amount	10	55	65
Additions	49	488	537
Amortisation	(21)	(187)	(208)
Exchange differences	4	28	32
Closing net book amount	42	384	426
At 31 December 2010			
Cost	8,264	1,985	10,249
Accumulated amortisation	(8,222)	(1,601)	(9,823)
Net book amount	42	384	426

7. INTANGIBLE ASSETS *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
General and administrative expenses	**201**	144
Distribution costs	**7**	5
	208	149

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

(a) Investments in subsidiaries and amounts due from subsidiaries

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**88,010**	88,010
Less: Provision for impairment	**(77,543)**	(77,543)
	10,467	10,467
Amounts due from subsidiaries	**81,766**	92,390
Less: Provision for impairment	**(32,759)**	(35,333)
	49,007	57,057
	59,474	67,524

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

(a) Investments in subsidiaries and amounts due from subsidiaries *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2010:

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 shares 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	Investment 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	Investment holding in Hong Kong	1 ordinary shares of 1 US dollar each	100%	—

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

(Continued)

(a) Investments in subsidiaries and amounts due from 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 shares of 1 US dollar each	100%	—
新茂國際科技股份有限公司 SyncMOS Technologies International, Inc.	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 to subsidiaries

	2010	2009
	HK$'000	*HK$'000*
Amounts due to subsidiaries	**(10,340)**	(10,340)
Denominated in:		
— HK$	**(10,340)**	(10,340)

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

9. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Raw materials	**5,449**	3,480
Work in progress	**7,750**	7,083
Finished goods	**11,018**	9,399
	24,217	19,962
Less: provision for inventories	**(4,010)**	(3,902)
Inventories, net	**20,207**	16,060

The cost of inventories recognised as expense and included in cost of sales amounted to HK$59,159,000 (2009: HK$47,115,000).

10. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**9,016**	9,771
Less: provision for impairment of receivables	**—**	—
Trade receivables, net	**9,016**	9,771

As at 31 December 2010, none of the trade receivables was past due (2009: same). These were related to a number of customers with no history of default and they are in continuous trading with the Group. Based on past experience, management believes that no impairment provision was necessary in respect of these balances as there has not been a significant change in credit quality of these customers. The Group normally grants credit periods to customers for a maximum of 30 days.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current	**9,016**	9,771
1 — 30 days	**—**	—
	9,016	9,771
Denominated in:		
— US$	**7,784**	7,667
— NTD	**1,232**	2,104
	9,016	9,771

The carrying values of trade receivables approximate their fair values as at 31 December 2010 (2009: same).

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

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**2,651**	1,639	**2,203**	1,224
Prepayments	**1,295**	1,336	**597**	294
Other receivables	**862**	80	**243**	9
	4,808	3,055	**3,043**	1,527
Less: non-current portion				
— Long-term deposits	**1,427**	1,630	**979**	1,224
Current portion	**3,381**	1,425	**2,064**	303

The carrying values of deposits, prepayments and other receivables approximate their fair values as at 31 December 2010 (2009: same).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities in				
— The United States of America	**34,268**	17,772	**34,268**	17,772
— Hong Kong	**890**	5,722	**—**	—
Market value of listed securities	**35,158**	23,494	**34,268**	17,772
Investment in unlisted securities	**18,660**	—	**18,660**	—
	53,818	23,494	**52,928**	17,772

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 gains, 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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

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

Any convertible bonds not converted before the Maturity Date will be redeemed at 100 per cent of its principal amount on the Maturity Date.

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

13. RESTRICTED CASH

	Group	
	2010	2009
	HK$'000	*HK$'000*
Restricted cash	**275**	249
Denominated in:		
— NTD	**275**	249

As at 31 December 2010, restricted cash represented bank deposits pledged to secure the payment of value added tax as required by the Taiwan Tax Bureau. The amount carried an effective interest rate of 0.7% per annum (2009: 1.7% per annum).

14. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank	**14,364**	23,558	**1,861**	7,084
Term deposits with original maturities of three months or less *(note a)*	**17,901**	6,926	**54**	54
Cash on hand	**153**	148	**4**	—
Cash and cash equivalents	**32,418**	30,632	**1,919**	7,138
Short-term bank deposits with original maturities of over three months	**34,843**	49,370	**—**	—
Total	**67,261**	80,002	**1,919**	7,138
Denominated in:				
— HK$	**2,371**	13,838	**1,865**	7,084
— US$	**22,058**	24,249	**54**	54
— NTD	**36,905**	35,962	**—**	—
— RMB *(Note b)*	**5,927**	5,953	**—**	—
	67,261	80,002	**1,919**	7,138

Note:

(a) The effective interest rate on term deposits was 1.06% (2009: 0.80%).

(b) At 31 December 2010, funds of the Group amounting to RMB5,897,000 are kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2009: RMB5,202,000).

15. SHARE CAPITAL

	Number of share (thousands)	Ordinary shares *HK$'000*	Share premium *HK$'000*	Total share capital *HK$'000*
At 31 December 2009 and 31 December 2010	336,587	33,659	101,263	134,922

The total authorised number of ordinary shares is 500 million shares (2009: 500 million shares) with a par value of HK$0.1 per share (2009: 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 the approval of the adoption of 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:

	2010		2009	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**2.49**	**2,280,000**	2.46	2,520,000
Forfeited	**—**	**—**	—	(240,000)
Expired	**—**	**(2,280,000)**	—	—
Exchange differences	**—**	**—**	0.03	—
At 31 December	**—**	**—**	2.49	2,280,000

15. SHARE CAPITAL *(Continued)*

As at 31 December 2009, 2,280,000 options were exercisable. During the year ended 31 December 2010, these options were expired without being exercised.

Share options outstanding as at 31 December 2009 have the following exercise periods 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	2.49	1,140,000
1 December 2006	1 December 2008 to 31 December 2009	2.49	1,140,000
			2,280,000

16. OTHER RESERVES

Group

	Exchange reserve *HK$'000*	Employee share-based compensation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note)*	Total *HK$'000*
At 1 January 2009	2,628	2,889	2,882	8,399
Currency translation differences	516	—	—	516
Allocation of statutory reserve to non-controlling interest	—	—	(1,300)	(1,300)
At 31 December 2009	3,144	2,889	1,582	7,615
Currency translation differences	4,355	—	—	4,355
Share options expired	—	(2,889)	—	(2,889)
At 31 December 2010	7,499	—	1,582	9,081

16. OTHER RESERVES *(Continued)*

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.

Company

	Contributed surplus	Capital reserve	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2009 and 31 December 2010	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.

17. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current	**4,608**	5,494

The carrying amounts of trade payables approximate their fair values as at 31 December 2010 (2009: same).

18. DEFERRED INCOME TAX

There were no deferred taxation recognised by the Group as at 31 December 2010 and 2009.

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 2010, the Group has unrecognised tax credit and tax losses of approximately HK$10 million (2009: HK$12 million) and HK$90 million (2009: HK$81 million) respectively. The tax credit and tax losses are subject to approval of the relevant tax authorities in the respective jurisdictions.

Unrecognised tax credit of approximately HK$10 million (2009: HK$12 million) is to expire as follows:

Expiry	**2010** ***HK$ million***	2009 *HK$ million*
2010	**—**	2
2011	**4**	4
2012	**3**	3
2013	**3**	3
	10	12

Unrecognised tax losses of approximately HK$12 million (2009: HK$10 million) is to expire within 5 years while unrecognised tax losses of approximately HK$78 million (2009: HK$71 million) is of no expiration.

19. EXPENSES BY NATURE

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**59,159**	47,115
Amortisation of intangible assets *(Note 7)*	**208**	149
Auditors' remuneration	**1,438**	1,323
Depreciation of property, plant and equipment *(Note 6)*	**672**	884
Operating lease rentals in respect of properties	**4,278**	4,083
Provision for inventories *(Note 9)*	**108**	13
Research and development costs	**4,146**	747
Marketing costs	**1,484**	2,054
Employee benefit expenses *(Note 21)*	**22,903**	21,276
Other expenses	**6,962**	7,127
Total cost of sales, distribution costs and general and administrative expenses	**101,358**	84,771

20. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Interest income	**1,274**	901
Sundry income	**257**	1,178
	1,531	2,079

21. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010	2009
	HK$'000	*HK$'000*
Wages and salaries	**16,254**	15,659
Provision for bonuses and welfare fund	**4,886**	4,466
Pension costs — defined contribution plan	**803**	791
Directors' emoluments	**960**	360
	22,903	21,276

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2010 is set out below:

	2010	2009
	HK$'000	*HK$'000*
Bonuses for Executive Directors		
— Mr. Yip Chi Hung	**500**	—
— Mr. Chen Che Yuan	**100**	—
Fee for Non-executive Directors		
— Mr. Cheung Hok Ming, Albert	**120**	120
— Mr. Ma Kwai Yuen	**120**	120
— Mr. Wong Chi Keung	**120**	120
	960	360

None of the Directors waived any emoluments during the year.

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

(b) Five highest paid individuals

None of the five highest paid individuals was a Director of the Company (2009: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals (2009: five) during the year are as follows:

	2010 *HK$'000*	2009 *HK$'000*
Basic salaries and allowances	**3,456**	2,908
Bonuses	**318**	319
Pension costs — defined contribution plan	**63**	57
	3,837	3,284

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Nil — HK$1,000,000	**4**	5
HK$1,000,001 — HK$1,500,000	**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 (2009: Nil).

22. INCOME TAX (EXPENSE)/CREDIT

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

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

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
— Overseas income tax expense	**(45)**	—
— Refund of dividend withholding tax	**—**	329
	(45)	329

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

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**12,025**	(3,147)
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(2,865)**	769
Income not subject to tax	**4,779**	1,956
Expenses not deductible for tax purpose	**(335)**	(378)
Tax losses for which no deferred tax asset was recognised	**(1,624)**	(2,347)
Refund of dividend withholding tax	**—**	329
Income tax (expense)/credit	**(45)**	329

Only 50% of the 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 2010. 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 2010, Shanghai SyncMOS was in its fourth year of the tax preferential treatment and was entitled to a 50% reduction of the 22% enterprise income tax rate.

23. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the company to the extent of HK$21,316,000 (2009: net profit of HK$3,382,000).

24. OTHER GAINS, NET

Other gains recognised during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss:		
— realised gains/(losses)	**2,001**	—
— unrealised fair value gains/(losses)	**24,994**	13,206
Exchange loss, net	**(1,832)**	(965)
Other gains, net	**25,163**	12,241

25. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the consolidated profit attributable to the equity holders of the Company of approximately HK$14,890,000 (2009: net profit of HK$350,000) and 336,587,142 shares (2009: 336,587,142 shares) in issue during the year.

(b) Diluted

The Company has no share option schemes. The Company's subsidiary had employee share options but had been expired since 1 January 2010. For the year ended 31 December 2009, these employee share options did not have a dilutive effect on earnings per share of the Company while they were still outstanding.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of profit/(loss) before income tax to cash used in operating activities:

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**12,025**	(3,147)
Adjustments for:		
— Interest income	**(1,274)**	(901)
— Amortisation of intangible assets	**208**	149
— Depreciation of property, plant and equipment	**672**	884
— Fair value gain from financial assets at fair value through profit or loss	**(24,994)**	(13,206)
— Realised gain on disposal of financial assets at fair value through profit or loss	**(2,001)**	—
— Provision for inventories	**108**	13
	(15,256)	(16,208)
Changes in working capital:		
— Inventories	**(2,760)**	1,231
— Trade receivables	**1,637**	874
— Deposits, prepayments and other receivables	**(1,652)**	1,837
— Trade payables, other payables and accruals	**2,241**	(3,702)
— Amount due to a related party	**188**	(30)
Cash used in operating activities	**(15,602)**	(15,998)

27. OPERATING LEASE COMMITMENTS

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

	2010	2009
	HK$'000	*HK$'000*
— Not later than one year	**4,269**	4,188
— Later than one year and not later than five years	**7,178**	1,098
	11,447	5,286

28. RELATED PARTY TRANSACTIONS

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

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

The Company had been provided with a judgment of the court dated 18 January 2008 ("Judgment") in respect of an application for summary judgment ("Application") by Pacific Electric Wire and Cable Company Limited ("Pacific Electric") in the Legal Action (as defined below). Pursuant to the Judgment, it was held, among other things, Texan held the Shares owned by it upon trust for Pacific Electric. Pacific Electric had notified the Company on 22 January 2008 that Pacific Electric was the beneficial owner of the 145,610,000 Shares, representing approximately 43% 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.)

28. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

(i) Texan and PC Asia, amongst others, had successful appealed against the Order in the Court of Appeal on 2 and 3 March 2009; and

(ii) the Court of Appeal ordered on 3 March 2009 that the Order be discharged.

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

(i) pursuant to an order of the Court of Appeal dated 3 March 2009 ("Court of Appeal Order"), Pacific Electric was ordered by the Court of Appeal to procure PAH to transfer 145,609,999 Shares to Texan and PC Asia; and

(ii) due to Pacific Electric's non-compliance with the Court of Appeal Order, Texan and PC Asia applied to the court for the execution of the relevant share transfers by a judicial officer in place of PAH, and such application was approved by the court on 31 July 2009. Accordingly, the said 145,609,999 Shares had been transferred to Texan (as to 145,609,998 Shares) and to PC Asia (as to 1 Share).

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

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, 5 March 2009 and 25 August 2009.

28. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2010 *HK$'000*	2009 *HK$'000*
Rental income from Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), an entity with directorships in common	*(i)*	**386**	386
Expense paid/payable to MVI and its group companies			
Rental expense	*(ii)*	**90**	88
Designed service fees	*(iii)*	**—**	336
Other service fees	*(iii)*	**88**	85
		178	509

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 designed service, technical service and other service fees payable to MVI were at a price mutually agreed between the parties.

(b) Key management compensation

	2010 *HK$'000*	2009 *HK$'000*
Basic salaries and allowances	**1,935**	1,523
Bonuses	**735**	128
Pension cost — defined contribution plan	**—**	—
	2,670	1,651

28. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due from an associated company of MVI	**—**	—	**3**	3
Amount due to an associated company of MVI	**3,812**	3,624	**—**	—

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

29. OTHER PAYABLES AND ACCRUALS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Accrued staff benefits	**4,413**	3,656
Accrued professional fees	**1,396**	1,206
Advances from customers	**801**	403
Others	**3,857**	1,175
	10,467	6,440
Less: non-current portion — other payables	**520**	1,241
Current portion	**9,947**	5,199

30. FINANCIAL INSTRUMENTS BY CATEGORY — GROUP

	Loans and receivables HK$'000	Financial assets at fair value through the profit or loss HK$'000	Total HK$'000
At 31 December 2010			
Long-term deposits	1,427	—	1,427
Trade receivables *(Note 10)*	9,016	—	9,016
Deposits and other receivable *(Note 11)*	862	—	862
Financial assets at fair value through profit or loss *(Note 12)*	—	53,818	53,818
Restricted cash *(Note 13)*	275	—	275
Short-term bank deposits *(Note 14)*	34,843	—	34,843
Cash and cash equivalents *(Note 14)*	32,418	—	32,418
Total	78,841	53,818	132,659
At 31 December 2009			
Long-term deposits	1,630	—	1,630
Trade receivables *(Note 10)*	9,771	—	9,771
Deposits and other receivable *(Note 11)*	80	—	80
Financial assets at fair value through profit or loss *(Note 12)*	—	23,494	23,494
Restricted cash *(Note 13)*	249	—	249
Short-term bank deposits *(Note 14)*	49,370	—	49,370
Cash and cash equivalents *(Note 14)*	30,632	—	30,632
Total	91,732	23,494	115,226

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

	Other financial liabilities *HK$'000*
At 31 December 2010	
Trade payables	4,608
Other payables and accruals	10,467
Amount due to a related party *(Note 28)*	3,812
Total	18,887
At 31 December 2009	
Trade payables	5,494
Other payables and accruals	6,440
Amount due to a related party *(Note 28)*	3,624
Total	15,558