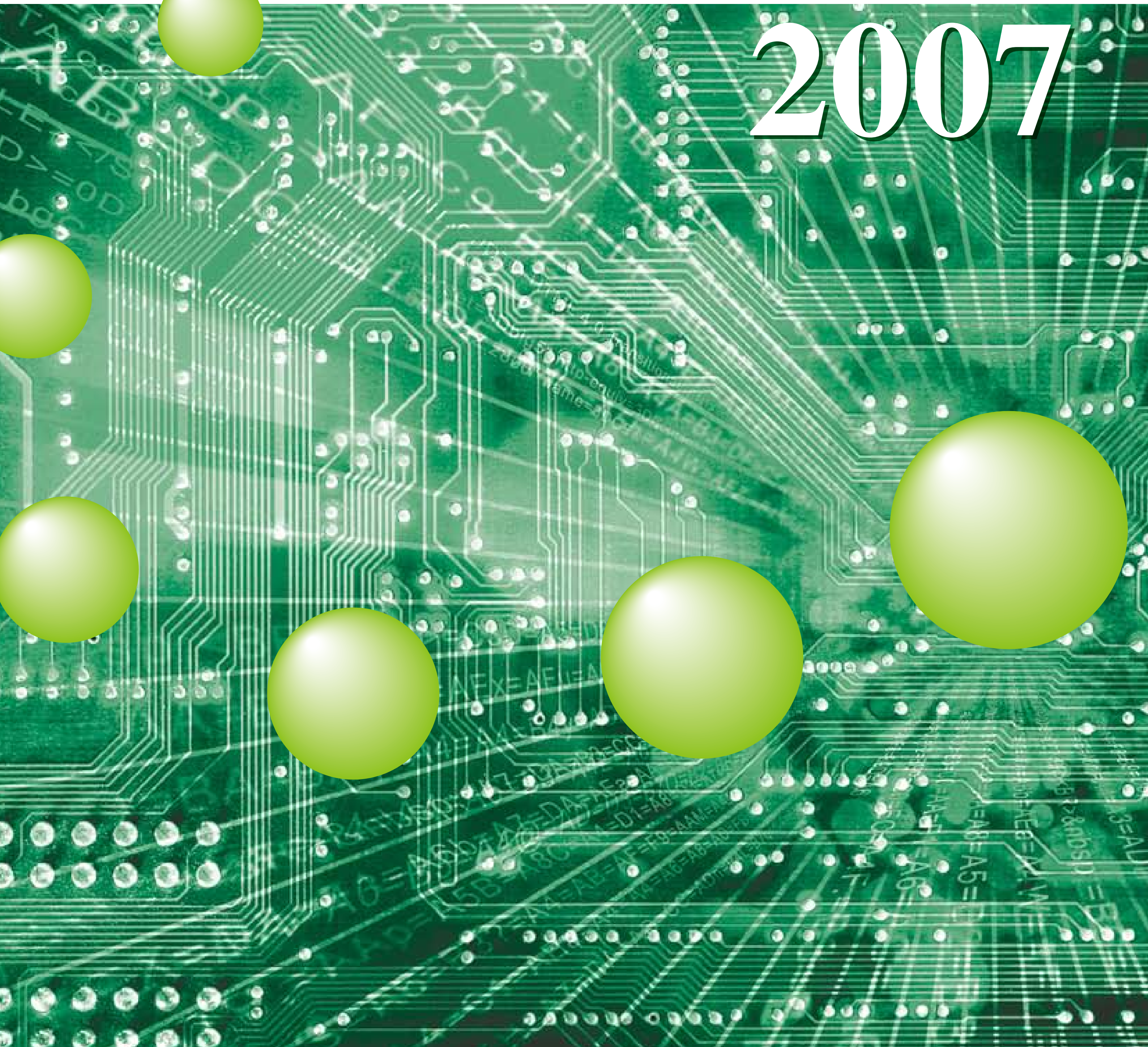
PacMOS Technologies Holdings Limited

(Stock Code : 1010)

Annual Report 2007



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

AUDITORS

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (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 49, 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 twenties years of experience on 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 53, is currently the Special Assistant to President and Investor Relations Director of ProMOS Technologies Inc. ("**ProMOS**") and is responsible for investor relations and business planning. ProMOS is a listed company in Taiwan which Mosel Vitelic Inc. ("**MVI**") holds approximately 14% of its issued share capital. He is the supervisor to the board of directors, elected by respective member, of each of the following companies: (i) MVI, a listed company in Taiwan and the Company's substantial shareholder representing approximately 31.5% of the Company's issued share capital, (ii) DenMOS TECHNOLOGY, Inc., a subsidiary of MVI representing approximately 44% of its issued share capital, (iii) Mau Fu Investments Corp. Ltd., a wholly owned subsidiary of MVI, and (iv) Bau De Investment Corp. Limited, a wholly owned subsidiary of MVI. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung

Mr. Wong Chi Keung, aged 52, holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Legend Capital Partners, Inc. under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was as an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for over ten 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, FU JI Food and Catering Services Holdings Limited, Golden Eagle Retail Group Limited, Great Wall Motor Company Limited, International Entertainment Corporation, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Wong has over 30 years of experience in finance, accounting and management.

Directors and Senior Management Biographies

Mr. Cheng Hok Ming, Albert, aged 46. 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 55, is an executive director of a consulting company in Hong Kong. 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 committee of China Aoyuan Property Group Limited, a company listed on The Stock Exchange of Hong Kong Limited; and an independent non-executive director of Vision Tech International Holdings Limited, also a listed company 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

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations:					
Turnover	**112,502**	125,552	147,961	160,086	121,700
(Loss)/Profit from operations	**(61,791)**	29,232	(21,205)	(85,126)	226,013
Finance costs	**—**	—	(193)	(583)	(1,627)
(Loss)/Profit before income tax	**(61,791)**	29,232	(21,398)	(85,709)	224,386
Income tax (expenses) /credit	**(745)**	355	(1,367)	(2,698)	(1,494)
(Loss)/Profit from continuing operations	**(62,536)**	29,587	(22,765)	(88,407)	222,892
Discontinued operation:					
(Loss)/Profit from discontinued operation	**—**	—	(874)	2,531	—
(Loss)/Profit for the year	**(62,536)**	29,587	(23,639)	(85,876)	222,892
Attributable to:					
Equity holders of the Company	**(62,773)**	25,446	(26,655)	(91,388)	216,712
Minority interests	**237**	4,141	3,016	5,512	6,180
	(62,536)	29,587	(23,639)	(85,876)	222,892

Financial Summary

COMBINED ASSETS AND LIABILITIES

	31 December 2007 HK$'000	31 December 2006 HK$'000	31 December 2005 HK$'000	31 December 2004 HK$'000	31 December 2003 HK$'000
Non-current assets	**5,275**	7,146	6,082	58,836	69,350
Net current assets	**232,342**	292,894	266,414	268,978	343,055
Total assets less current liabilities	**237,617**	300,040	272,496	327,814	412,405
Non-current liability	**—**	—	(1,300)	(27,550)	(31,560)
Net assets	**237,617**	300,040	271,196	300,264	380,845
Minority interests	**(40,754)**	(43,363)	(41,461)	(44,192)	(36,179)
	196,863	256,677	229,735	256,072	344,666
Shareholders' equity					
Share capital	**134,922**	134,922	134,922	134,922	134,922
Reserves	**61,941**	121,755	94,813	121,150	209,744
	196,863	256,677	229,735	256,072	344,666
OTHER DATA					
Basic(loss)/earnings per share	**(18.65 cents)**	7.56 cents	(7.92 cents)	(27.15 cents)	64.39 cents
Diluted earnings per share	**N/A**	N/A	N/A	N/A	N/A
Shareholders' equity per share	**58 cents**	76 cents	68 cents	76 cents	102 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 2007.

For the year under review, the Group achieved a turnover of approximately HK$112.5 million, as compared to that of last year of approximately HK$125.6 million. The loss attributable to shareholders amounted to approximately HK$62.8 million, as compared to that of last year a profit of approximately HK$25.4 million. The current year loss was mainly attributable to recognizing unrealized losses of approximately HK$64.0 million upon mark to market valuation of the Group's investments in equity securities.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2007.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

The turnover reduced to approximately HK$112.5 million for the year under review as compared to that of last year of approximately HK$125.6 million. For the year under review, the Group recorded a gross profit of approximately HK$30.0 million as compared to approximately HK$31.9 million for the year ended 31 December 2006.

For the year under review, the sales and profit margin of the Group's operation in Shanghai improved due to successful launch of a new product. Turnover of the Group's operation in Shanghai increased from approximately HK$4.0 million last year to approximately HK$11.9 million for the year under review. Gross profit margin has also improved from around 43% to around 63%. The Shanghai operation contributed an operating profit of approximately HK$3.7 million for the current year under review as compared to an operating loss of around HK$1.3 million for the last year.

However, due to market competition and increase in subcontracting costs, the turnover of the Group's operation in Taiwan reduced from approximately HK$121.6 million last year to approximately HK$100.6 million for the current year under review, the gross profit margin also reduced from around 25% to around 22%. The operation in Taiwan contributed an operating profit of approximately HK$1.8 million for the current year under review as compared to that of approximately HK$8.7 million for the last year.

Investments holding

As at 31 December 2007, the Company held approximately 3.2 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

During the year, the Company realized approximately 350,000 shares of ChipMOS with average price of approximately US$7.4 per share. The net realized gain was approximately HK$1.6 million.

Chairman's Statement

As at 31 December 2007, the closing market price of ChipMOS was US$4.26 per share as compared to US$6.79 per share as at 31 December 2006. Consequently, an unrealized loss of approximately HK$63.7 million was recorded due to mark to market valuation of the shares for the year under review.

As at 31 December 2007, the Group also held listed securities in Hong Kong with market valuation of approximately HK$5 million.

FUTURE PLANS AND PROSPECTS

We shall continue to focus our efforts on our current main business in design and distribution of integrated circuit products. In addition, we are also looking for new investment opportunities in order to increase our shareholders' return.

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, 17 March 2008

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the cash and cash equivalents of the Group amounted to approximately HK$105.2 million as compared to approximately HK$102.6 million as at 31 December 2006.

For the year under review, the group recorded a net cash inflow of approximately HK$1.3 million, which included outflows of approximately HK$11.9 million from operating activities and inflows of approximately HK$16.5 million from investing activities.

GEARING RATIO

As at 31 December 2007, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 9.7% (2006: approximately 9.6%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2007, the total liabilities (mainly trade payables) of the Group were approximately HK$25.5 million (2006: approximately HK$31.8 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. Please refer to Note 3 to the financial statements for analysis of the impact of foreign currency risk on the Group.

For the year under review, a net exchange loss of approximately HK$0.1 million (2006: loss of approximately HK$0.6 million) was recognized in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK$0.9 million were credited to exchange reserve.

CAPITAL STRUCTURE

The loss attributable to shareholders for the year under review of approximately HK$62.8 million was transferred to retained earnings. There was no change in the capital of the Company for the year under review. As at 31 December 2007, the shareholders' fund amounted to approximately HK$196.9 million (2006: approximately HK$256.7 million).

INVESTMENTS AND CAPITAL ASSETS

The Company held approximately 3.2 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS") which is listed on NASDAQ. According to its announcements, for the nine months ended 30 September 2007, ChipMOS achieved an unaudited net income of approximately US$51 million. On 14 March 2008, the closing market price of ChipMOS was US$2.96.

During the year under review, the Group acquired fixed assets and intangible assets of approximately HK$1.1 million (2006: approximately HK$1.3 million).

Management Discussion and Analysis

CHARGES ON ASSETS

As at 31 December 2007, restricted bank deposits amounted to approximately HK$0.2 million (2006: approximately HK$0.2 million) were mainly for the purpose of securing payment of value added tax.

SEGMENT INFORMATION

For the year ended 31 December 2007, approximately 89% of turnover of the Group was generated from the Group's operation in Taiwan. The Taiwan operations recorded an operating profit of approximately HK$1.8 million (2006: approximately HK$8.7 million), while the operations in Shanghai recorded an operating profit of approximately HK$3.7 million (2006: a loss of approximately HK$1.3 million). Please refer to Note 5 to the financial statements for more details.

HUMAN RESOURCES

The headcount of the Group as at 31 December 2007 was approximately 86.

In 2006, an employee share option scheme was established by the Company's subsidiary in Taiwan, 新茂國際科技股份有限公司, to retain high-calibre employees. The management believes that it is in line with modern commercial practice that eligible employees should be given incentives in the form of options to work towards enhancing the value of the subsidiary and the Group as a whole. Please refer to Note 15 to the financial statements for more details.

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 2007.

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 2007.

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 consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2007 are set out in the consolidated income statement on page 28.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 and Note 16 to the consolidated financial statements.

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2007, calculated under the Companies Act 1981 of Bermuda, amounted to HK$49,586,000 (2006: HK$86,638,000).

FIVE YEAR FINANCIAL SUMMARY

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

CHARITABLE DONATIONS

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

SHARE OPTIONS

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

Details of the share options outstanding as at 31 December 2007 which have been granted under the Scheme are as follows:

Grantee	Date of grant	Exercise price *HK$*	Exercise period	At 1 January 2007	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2007
Employees	1 December 2006	2.45	1 December 2007 to 31 December 2009	1,480,000	—	—	175,000	1,305,000
	1 December 2006	2.45	1 December 2008 to 31 December 2009	1,480,000	—	—	175,000	1,305,000

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

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2007 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. Chen Che Yuan and Ma Kwai Yuen will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

As at 31 December 2007, 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 2007, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Name of Shareholder	Number of issued shares	Percentage holding
Texan Management Limited ("Texan") *(notes (1) & (3))*	145,610,000	43.3%
Vision2000 Venture Ltd. ("Vision2000") *(note (2))*	106,043,142	31.5%

Notes:

(1) 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.

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

(3) The Company had been provided with a judgment of the court dated 18 January 2008 ("Judgment") in respect of an application for summary judgment 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 of the Company 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 held by Texan. 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. 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 and 25 January 2008.

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 2007, the five largest customers of the Group accounted for approximately 75% of the Group's total turnover while the largest customer of the Group accounted for approximately 42% of the Group's total turnover. In addition, for the year ended 31 December 2007 the five largest suppliers of the Group accounted for approximately 95% of the Group's total purchases while the largest supplier of the Group accounted for approximately 52% 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$243,000 (2006: HK$238,000) 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. For the year ended 31 December 2006, operating lease rental and management fees of approximately HK$495,000 and HK$208,000 respectively were payable by SyncMOS Taiwan to Mosel Vitelic Inc. ("MVI") for office premises. Subsequently, SyncMOS Taiwan moved its office to another premises leased from an independent third party in August 2006. Rental expense of approximately HK88,000 for the year ended 31 December 2007 were payable to MVI for dwelling-house of certain staff of SyncMOS Taiwan.

3. Design service fees of approximately HK$211,000 (2006: HK$651,000) were payable to MVI by Shanghai SyncMOS Semiconductor Co. Limited, a wholly owned subsidiary.

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

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

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

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

Save as disclosed above, there were no other transactions, which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules for the year ended 31 December 2007.

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

During the year, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except deviations from Code A.4.1 and A.4.2. A detailed Corporate Governance Report is set out on pages 19 to 25 in the annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2006, 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.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive directors, namely Messrs. Wong Chi Keung (Chairman), Cheng Hok Ming, Albert and Ma Kwai Yuen. Its primary responsibilities include reviewing and supervising the Company's financial reporting process and internal control systems. The Audit Committee and the management have reviewed the accounting principles and practices which adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2007.

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, 17 March 2008

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

Code A.4.1

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

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

Code A.4.2

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2007, 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 substantial shareholder or a Director has a conflict of interest, the Director who has interests declares his interest and is required to abstain from voting and is not counted in the quorum.

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

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

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

The Board convened 5 meetings during the year. The attendance of individual Directors to the Board meetings in 2007 is summarised below.

	Attendance
Executive directors	
— Mr. Yip Chi Hung *(Chairman)*	5/5
— Mr. Chen Che Yuan *(Chief Executive Officer)*	5/5
Independent non-executive directors	
— Mr. Wong Chi Keung	5/5
— Mr. Cheng Hok Ming, Albert	5/5
— Mr. Ma Kwai Yuen	5/5

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 2 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.

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 2007, the Audit Committee has reviewed the Group's (i) annual report for the year ended 31 December 2006, (ii) interim report for the 6 months ended 30 June 2007, and (iii) external auditor's engagement letter with recommendation to the Board for approval.

During the year, 3 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	3/3
— Mr. Cheng Hok Ming, Albert	3/3
— Mr. Ma Kwai Yuen	3/3

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.

No meeting for the Remuneration Committee was held during the year.

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 2007, 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, a resolution in writing was passed by all members of the Nomination Committee.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, fees payable for audit and audit-related services to PricewaterhouseCoopers and other auditors were HK$1,333,800 and HK$232,000 respectively.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. On 11 April 2007, the Company adopted a set of internal control procedures and policies to safeguard the Group's assets against unauthorised use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

During the year, the Company held an annual general meeting on 27 June 2007.

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

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 76, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2008

Consolidated Income Statement

	Note	For the year ended 31 December 2007 HK$'000	2006 HK$'000
Revenue	5	**112,502**	125,552
Cost of sales	19	**(82,474)**	(93,662)
Gross profit		**30,028**	31,890
Distribution costs	19	**(3,910)**	(4,016)
General and administrative expenses	19	**(31,670)**	(31,334)
Other income	20	**5,678**	3,741
Other (losses)/gains, net	24	**(61,917)**	28,951
(Loss)/profit before income tax		**(61,791)**	29,232
Income tax (expense)/credit	22	**(745)**	355
(Loss)/profit for the year		**(62,536)**	29,587
Attributable to:			
Equity holders of the Company		**(62,773)**	25,446
Minority interests		**237**	4,141
		(62,536)	29,587
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (basic and diluted) (HK cents)	25	**(18.65)**	7.56

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**3,235**	3,795
Intangible assets	*7*	**566**	865
Long-term deposit		**744**	735
Deferred income tax assets	*18*	**730**	1,751
		5,275	7,146
Current assets			
Inventories	*9*	**21,901**	12,226
Trade receivables	*10*	**11,915**	14,312
Deposits, prepayments and other receivables	*11*	**6,284**	5,747
Financial assets at fair value through profit or loss	*12*	**112,272**	189,482
Restricted cash	*13*	**248**	245
Cash and cash equivalents	*14*	**105,229**	102,642
		257,849	324,654
Total assets		**263,124**	331,800
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**134,922**	134,922
Other reserves	*16*	**7,325**	3,861
Retained earnings		**54,616**	117,894
		196,863	256,677
Minority interests		**40,754**	43,363
Total equity		**237,617**	300,040
LIABILITIES			
Current liabilities			
Trade payables	*17*	**14,206**	15,737
Other payables and accruals		**8,751**	12,537
Amount due to a related party	*28(c)*	**2,404**	2,349
Income tax payable		**146**	1,137
		25,507	31,760
Total liabilities		**25,507**	31,760
Total equity and liabilities		**263,124**	331,800
Net current assets		**232,342**	292,894
Total assets less current liabilities		**237,617**	300,040

On behalf of the Board

Yip Chi Hung
Director

Chen Che Yuan
Director

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

Balance Sheet

		As at 31 December	
		2007	2006
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**655**	916
Investments in subsidiaries	*8(a)*	**10,467**	10,010
		11,122	10,926
Current assets			
Deposits, prepayments and other receivables	*11*	**1,470**	998
Financial assets at fair value through profit or loss	*12*	**107,236**	189,460
Amounts due from subsidiaries	*8(b)*	**78,971**	42,640
Amounts due from related parties	*28(c)*	**3**	3
Cash and cash equivalents	*14*	**18,177**	9,863
		205,857	242,964
Total assets		**216,979**	253,890
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		**(88,214)**	(51,162)
Total equity		**205,074**	242,126
LIABILITIES			
Current liabilities			
Other payables and accruals		**1,564**	1,421
Amounts due to subsidiaries	*8(b)*	**10,341**	10,343
Total liabilities		**11,905**	11,764
Total equity and liabilities		**216,979**	253,890
Net current assets		**193,952**	231,200
Total assets less current liabilities		**205,074**	242,126

On behalf of the Board

Yip Chi Hung
Director

Chen Che Yuan
Director

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Ordinary shares *Note 15* ***HK$'000***	Share premium *Note 15* ***HK$'000***	Exchange reserve ***HK$'000***	Employee share-based compensation reserve *Note 15* ***HK$'000***	Other statutory reserve *Note 16* ***HK$'000***	Retained earnings ***HK$'000***	Minority interest ***HK$'000***	Total ***HK$'000***
	Attributable to equity holders of the Company							
Balance at 1 January 2006	33,659	101,263	319	—	1,535	92,959	41,461	271,196
Profit for the year	—	—	—	—	—	25,446	4,141	29,587
Employee share-based compensation scheme	—	—	—	196	—	—	—	196
Transfer to Taiwan statutory reserve	—	—	—	—	511	(511)	—	—
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	(3,293)	(3,293)
Currency translation differences	—	—	1,300	—	—	—	1,054	2,354
Balance at 31 December 2006	33,659	101,263	1,619	196	2,046	117,894	43,363	300,040
Balance at 1 January 2007	33,659	101,263	1,619	196	2,046	117,894	43,363	300,040
Loss for the year	—	—	—	—	—	(62,773)	237	(62,536)
Employee share-based compensation scheme	—	—	—	2,073	—	—	—	2,073
Transfer to Taiwan statutory reserve	—	—	—	—	505	(505)	—	—
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	(3,297)	(3,297)
Currency translation differences	—	—	886	—	—	—	451	1,337
Balance at 31 December 2007	33,659	101,263	2,505	2,269	2,551	54,616	40,754	237,617

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	2007 HK$'000	2006 HK$'000
		Year ended 31 December	
Cash flow from operating activities			
Cash flow (used in)/generated from operations	*26*	**(11,190)**	11,363
Hong Kong profits tax paid		**-**	(880)
Overseas taxes paid		**(716)**	(2,132)
Net cash (used in)/generated from operating activities		**(11,906)**	8,351
Cash flows from investing activities			
Purchases of property, plant and equipment	*6*	**(793)**	(1,284)
Purchases of intangible assets	*7*	**(325)**	(51)
Purchases of financial assets at fair value through profit or loss		**(8,827)**	-
Proceeds from disposal of financial assets at fair value through profit or loss		**24,233**	16,004
Interest received	*20*	**2,251**	1,791
Increase in pledged deposit		**(3)**	(6)
Net cash generated from investing activities		**16,536**	16,454
Cash flows from financing activities			
Dividends paid to minority shareholders of a subsidiary		**(3,298)**	(3,293)
Net cash used in financing activities		**(3,298)**	(3,293)
Net increase in cash and cash equivalents		**1,332**	21,512
Cash and cash equivalents at the beginning of the year		**102,642**	78,232
Exchange gains on cash and cash equivalents		**1,255**	2,898
Cash and cash equivalents at the end of the year		**105,229**	102,642

The notes on pages 33 to 76 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

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

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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

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

2.1 Basis of preparation *(Continued)*

(a) Standards, amendment and interpretations effective in 2007

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but did not result in substantial changes to the Group's accounting policies:

HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

(b) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting policies beginning on or after 1 January 2008 or later periods but which the Group has not early adopted then:

- HK(IFRIC)-Int 11, "HKFRS 2 — Group and Treasury Share Transactions", effective for annual periods beginning on or after 1 March 2007. This interpretation clarifies that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. The Group has already commenced the assessment of the impact of this new interpretation, but is not yet in a position to state whether this new interpretation would have a significant impact on its results of operations and financial position.

- HK(IFRIC)-Int 12, "Service Concession Arrangements", effective for annual periods beginning on or after 1 January 2008. Management does not expect the adoption of this interpretation to be relevant for the Group.

- HK(IFRIC)-Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. Management is in the process of assessing the impact of this interpretation.

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

2.1 Basis of preparation *(Continued)*

(b) *(Continued)*

- HK(IFRIC)-Int 14 "HKAS19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction", effective for annual periods beginning on or after 1 January 2008. Management does not expect the adoption of this interpretation to be relevant for the Group.

- HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported in the segmental analysis based on the internal reporting. Management is in the process of assessing the impact of this interpretation.

- HKAS 23 (Revised), "Borrowing Cost", effective for annual periods beginning on or after 1 January 2009. Management does not expect the adoption of this interpretation to be relevant for the Group.

- HKAS 1 (Revised), "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact of this amendment.

2.2 Consolidation

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

(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.

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

2.2 Consolidation *(Continued)*

(a) ***Subsidiaries*** *(Continued)*

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

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

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

(b) ***Transactions with minority interests***

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

2.3 Segment reporting

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

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

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 presentation currency.

(b) Transactions and balances

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

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

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

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

2.5 Property, plant and equipment

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

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

Depreciation is calculated using straight-line method to allocate cost 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.

2.6 Intangible assets

(i) 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 (three years).

(ii) Computer software

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

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

2.6 Intangible assets *(Continued)*

(ii) Computer software *(Continued)*

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Company software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have 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 classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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

2.8 Financial Assets *(Continued)*

(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 balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.10).

Regular purchases and sales of financial assets are recognised on the trade-date— the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the 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/(losses)-net, in the period in which they arise.

2.9 Inventories

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

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

2.10 Trade and other receivables

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

2.11 Cash and cash equivalents

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

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

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

2.14 Current and deferred income tax

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

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

2.14 Current and deferred income tax *(Continued)*

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

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

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

2.15 Employee benefits

(a) Employee leave entitlements

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

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

(b) Bonus plans

Provision for bonus plans due wholly within twelve months after balance sheet are 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.

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

2.15 Employee benefits *(Continued)*

(c) Pension obligations

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

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

(d) Share-based compensation

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

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

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

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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 sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

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

(b) Interest income

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

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

2.17 Revenue recognition *(Continued)*

(c) Agency service fees and commission income

Agency service fees and commission income are recognised when the related services are rendered.

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 in the 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 factor

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, evaluates and hedges 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 currency risk arising from various currency exposures, primarily with respect to New Taiwan dollar ("NT dollar"), 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factor *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

During the year ended 31 December 2007, if HK dollar has strengthened/weakened by 5% against the RMB, with all other variable held constant, post-tax loss for the year would have been approximately HK$66,000(2006: HK$185,000), higher or lower. At 31 December 2007, if HK dollar had strengthened/weakened by 5% against the RMB, equity would have been approximately HK$172,000 (2006: HK$379,000), lower or higher.

During the year ended 31 December 2007, if HK dollar had strengthened/weakened by 5% against the NT dollar, with all other variable held constant, post-tax loss for the year would have been approximately HK$460,000 (2006: HK$26,000), higher or lower. At 31 December 2007, if HK dollar had strengthened/weakened by 5% against the NT dollar, equity would have been approximately HK$4,828,000 (2006: HK$4,642,000), lower or higher.

(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 Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on profit or loss of a 32 basis-point shift would be a maximum increase/decrease of HK$316,000 (2006: HK$ 293,000) for the year ended 31 December 2007.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factor *(Continued)*

(a) Market risk *(Continued)*

(iii) Price risk

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

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

For the year ended 31 December 2007, assuming the prices of the shares as at year end had increased/decreased by 5%, the impact on post tax loss would be approximately HK$9,474,000 (2006: HK$5,613,000) lower or higher, and equity would be approximately HK$9,474,000 (2006: HK$5,613,000) higher or lower.

(b) Credit risk

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

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. Collection of outstanding receivable balances and authorised credit limits to individual customers are closely monitored on an ongoing basis.

Exposure to credit arising from bank deposits is managed by placing the deposits to reputable banks and through regular analysis of the financial performance of the banks.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factor *(Continued)*

(b) Credit risk (Continued)

The table below shows the credit limit and balance of the five major debtors at the respective balance sheet dates.

	As at 31 December			
	2007		2006	
	Credit limit	**Utilised**	Credit limit	Utilised
Counterparty	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*
A	**7,899**	**6,613**	7,803	6,863
B	**1,034**	**1,034**	1,024	1,024
C	**1,240**	**864**	1,225	1,218
D	**9,920**	**683**	9,800	1,376
E	**620**	**520**	613	524

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counterparty's default history. The current portion of trade receivables which are not impaired are analysed below:

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables		
New customers (less than 12 months)	**1**	220
Existing customers (more than 12 months) with no defaults in the past	**11,914**	14,092
Total	**11,915**	14,312

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factor *(Continued)*

(b) Credit risk (Continued)

The tables below shows the cash, cash equivalents held by different type of financial institutions at balance sheet date.

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Cash and cash equivalents		
Cash banks and bank deposits		
— Listed financial institutions	**103,525**	102,478
— Unlisted financial institutions	**1,675**	137
	105,200	102,615
Cash on hand	**29**	27
Total	**105,229**	102,642
Restricted cash		
— Listed financial institutions	**248**	245
Total	**248**	245

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factor *(Continued)*

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007					
Amount due to a related party	2,404	—	—	—	2,404
Trade payables	14,206	—	—	—	14,206
At 31 December 2006					
Amount due to a related party	2,349	—	—	—	2,349
Trade payables	15,737	—	—	—	15,737

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 borrowings divided by total equity. Management consider a ratio of not more than 30% as reasonable. There was no borrowing incurred during the year 2007 and 2006.

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, trade and other receivables, trade payables, dividends payable, amounts due to shareholders/related parties, share options approximate their fair values due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Income taxes

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

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

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

5. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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

(b) Secondary reporting format — geographical segments

The Group primarily operates in Hong Kong, Taiwan and the PRC. The Group's turnover by geographical location is determined by the country in which the customer is located.

	For the year ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Turnover:		
Taiwan	**100,622**	121,561
PRC	**11,880**	3,991
	112,502	125,552

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

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

	As at 31 December	
	2007	2006
	HK$'000	*HK$'000*
Total assets:		
Hong Kong	**139,029**	201,736
Taiwan	**110,765**	119,717
PRC	**13,330**	10,347
	263,124	331,800

5. SEGMENT INFORMATION *(Continued)*

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

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

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

	For the year ended 31 December	
	2007	2006
	HK$'000	*HK$'000*
Capital expenditure:		
Hong Kong	**44**	21
Taiwan	**900**	1,031
PRC	**174**	283
	1,118	1,335

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Total *HK$'000*
At 1 January 2006				
Cost	1,581	5,908	11,008	18,497
Accumulated depreciation	(1,160)	(4,212)	(9,054)	(14,426)
Net book amount	421	1,696	1,954	4,071
Year ended 31 December 2006				
Opening net book amount	421	1,696	1,954	4,071
Additions	—	744	540	1,284
Disposals	—	—	(2)	(2)
Depreciation	(123)	(448)	(1,066)	(1,637)
Exchange differences	—	38	41	79
Closing net book amount	298	2,030	1,467	3,795
At 31 December 2006				
Cost	1,581	6,705	11,826	20,112
Accumulated depreciation	(1,283)	(4,675)	(10,359)	(16,317)
Net book amount	298	2,030	1,467	3,795
Year ended 31 December 2007				
Opening net book amount	298	2,030	1,467	3,795
Additions	—	252	541	793
Depreciation	(123)	(507)	(798)	(1,428)
Exchange differences	—	62	13	75
Closing net book amount	175	1,837	1,223	3,235
At 31 December 2007				
Cost	1,583	7,288	12,526	21,397
Accumulated depreciation	(1,408)	(5,451)	(11,303)	(18,162)
Net book amount	175	1,837	1,223	3,235

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:

	2007	2006
	HK$'000	*HK$'000*
Cost of sales	**4**	211
General and administrative expenses	**1,424**	1,426
	1,428	1,637

Company

	Leasehold improvements	**Furniture, fixtures and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006			
Cost	1,567	1,385	2,952
Accumulated depreciation	(1,146)	(613)	(1,759)
Net book amount	421	772	1,193
Year ended 31 December 2006			
Opening net book amount	421	772	1,193
Additions	—	21	21
Depreciation	(123)	(175)	(298)
Closing net book amount	298	618	916
At 31 December 2006			
Cost	1,567	1,406	2,973
Accumulated depreciation	(1,269)	(788)	(2,057)
Net book amount	298	618	916
Year ended 31 December 2007			
Opening net book amount	298	618	916
Additions	—	44	44
Depreciation	(123)	(182)	(305)
Closing net book amount	175	480	655
At 31 December 2007			
Cost	1,567	1,450	3,017
Accumulated depreciation	(1,392)	(970)	(2,362)
Net book amount	175	480	655

7. INTANGIBLE ASSETS

Group

	Computer software *HK$'000*	Patents *HK$'000*	Total *HK$'000*
At 1 January 2006			
Cost	6,824	901	7,725
Accumulated amortisation	(6,149)	(282)	(6,431)
Net book amount	675	619	1,294
Year ended 31 December 2006			
Opening net book amount	675	619	1,294
Additions	—	51	51
Amoritsation	(193)	(312)	(505)
Exchange differences	14	11	25
Closing net book amount	496	369	865
At 31 December 2006			
Cost	7,041	975	8,016
Accumulated depreciation	(6,545)	(606)	(7,151)
Net book amount	496	369	865
Year ended 31 December 2007			
Opening net book amount	496	369	865
Additions	5	320	325
Amortisation	(271)	(356)	(627)
Exchange differences	(1)	4	3
Closing net book amount	229	337	566
At 31 December 2007			
Cost	7,399	1,315	8,714
Accumulated depreciation	(7,170)	(978)	(8,148)
Net book amount	229	337	566

Amortisation of the Group's intangible assets has been charged to general and administrative expenses in the consolidated income statement.

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

(a) Investments in subsidiaries

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**88,010**	88,010
Less: Provision for impairment	**(77,543)**	(78,000)
	10,467	10,010

The following is a list of the principal subsidiaries as at 31 December 2007:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued share capital/ paid-up share capital	Percentage of equity interest attributable to the Group	
				Directly held	Indirectly held
Win Win Property Investments Limited	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	Investments holding in Hong Kong	2 ordinary shares of 1 HK dollar each	100%	—
Harvest Century Enterprises Limited	Hong Kong, limited liability company	Inactive	10,000 ordinary shares of 1 HK dollar each	100%	—

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

(a) Investments in subsidiaries *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued share capital/ paid-up share capital	Percentage of equity interest attributable to the Group	
				Directly held	Indirectly held
SyncMOS Technologies, Inc. (BVI)	British Virgin Islands, limited liability company	Investments holding in Hong Kong	1 ordinary shares of 1 US dollar each	100%	—
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 PRC	Registered capital of USD7,000,000	—	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	Taiwan, limited liability company	Design, distribution and trading of electronic materials and components and provision of related agency services in Taiwan	32,000,000 ordinary shares of 10 NT dollar each	—	55%

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

(b) Amounts due from/(to) subsidiaries

	2007	2006
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**94,280**	88,144
Less: Provision for impairment	**(15,309)**	(45,504)
	78,971	42,640
Amounts due to subsidiaries	**(10,341)**	(10,343)

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

9. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**6,511**	1,142
Work in progress	**7,778**	3,818
Finished goods	**10,988**	9,114
	25,277	14,074
Less: Provision for obsolete inventories	**(3,376)**	(1,848)
Inventories, net	**21,901**	12,226

The cost of inventories recognised as expense and included in cost of sales amounted to HK$79,288,000 (2006 HK$90,207,000).

10. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**11,931**	14,362
Less: provision for impairment of receivables	**(16)**	(50)
Trade receivables — net	**11,915**	14,312

The Group generally grants a credit period of 30 days to 90 days to customers. At 31 December 2007 and 2006, the ageing analysis of the trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**11,915**	14,071
1 — 30 days	**—**	91
31 — 60 days	**—**	200
90 — 180 days	**16**	—
	11,931	14,362
Denominated in:		
— US$	**8,364**	8,841
— NTD	**2,664**	5,169
— RMB	**903**	352
	11,931	14,362

The carrying amounts of trade receivables approximate their fair values as at 31 December 2007.

10. TRADE RECEIVABLES *(Continued)*

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**50**	—
Reversal of impairment of receivables	**(34)**	50
At 31 December	**16**	50

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

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

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**1,680**	1,296	**1,233**	759
Prepayments	**3,422**	4,245	**237**	239
Other receivables	**1,182**	206	**—**	—
	6,284	5,747	**1,470**	998
Denominated in:				
— HK$	**1,532**	1,058	**1,470**	998
— NTD	**3,344**	4,561	**—**	—
— RMB	**1,408**	128	**—**	—
	6,284	5,747	**1,470**	998

The carrying amount of deposits, prepayments and other receivables approximate its fair values as at 31 December 2007.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities in				
— United States	**107,236**	189,460	**107,236**	189,460
— Hong Kong	**5,036**	22	**—**	—
Market value of listed securities	**112,272**	189,482	**107,236**	189,460

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

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

13. RESTRICTED CASH

	Group	
	2007	2006
	HK$'000	*HK$'000*
Restricted cash	**248**	245
Denominated in		
— NTD	**248**	245

Restricted cash as at 31 December 2007 represents bank deposits pledged to secure the payment of value added tax as required by Taiwan Tax Bureau. The amount was denominated in New Taiwan dollar with an effective interest rate of 2.13% per annum (2006: 2.13% per annum).

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**24,029**	19,052	**8,900**	2,319
Bank deposits *(Note a)*	**81,200**	83,590	**9,277**	7,544
	105,229	102,642	**18,177**	9,863
Denominated in:				
— HK$	**24,498**	10,174	**18,111**	9,765
— US$	**19,485**	21,756	**66**	98
— NTD	**54,535**	69,162	**—**	—
— RMB	**6,711**	1,550	**—**	—
	105,229	102,642	**18,177**	9,863

Note:

(a) The effective interest rate on bank deposits was 2.55% (2006: 2.41%), these deposits have an average maturity of 100 days (2006: 153 days).

(b) At 31 December 2007, funds of the Group amounting to RMB7,310,000 are kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2006: RMB8,005,000).

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Cash and bank balances	**105,229**	102,642

15. SHARE CAPITAL

	Number of share (thousands)	Ordinary shares *HK$'000*	Share premium *HK$'000*
At 1 January 2006, 31 December 2006 and 31 December 2007	336,587	33,659	101,263

The total authorised number of ordinary shares is 500 million shares (2006: 500 million shares) with a par value of HK$0.1 per share (2006: HK$0.1 per share). All issued are fully paid.

Stock options

On 29 November 2006, an ordinary resolution was passed at a special general meeting regarding 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:

	2007		2006	
	Average exercise price in HK$ per share	**Options**	Average exercise price in HK$ per share	Options
At 1 January	**2.45**	**2,960,000**	—	—
Granted	—	—	2.45	2,960,000
Exercised	—	—	—	—
Forfeited	—	**(350,000)**	—	—
Exchange differences	**0.03**	—	—	—
At 31 December	**2.48**	**2,610,000**	2.45	2,960,000

As at 31 December 2007, 1,305,000 options are exercisable. (2006: Nil).

15. SHARE CAPITAL *(Continued)*

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

Date of grant	Exercise period	Exercise price (HK$ per share)	Number of share options
1 December 2006	1 December 2007 to 31 December 2009	2.48	1,305,000
1 December 2006	1 December 2008 to 31 December 2009	2.48	1,305,000
			2,610,000

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

16. RESERVES

Group

	Exchange reserve *HK$'000*	Employee share-based compensation reserve *HK$'000*	Statutory reserve *HK$'000*	Total *HK$'000*
At 1 January 2006	319	—	1,535	1,854
Transferred to Taiwan statutory reserve	—	—	511	511
Currency translation differences	1,300	—	—	1,300
Employee share-based compensation scheme	—	196	—	196
At 31 December 2006	1,619	196	2,046	3,861
Transferred to Taiwan statutory reserve	—	—	505	505
Currency translation differences	886	—	—	886
Employee share-based compensation scheme	—	2,073	—	2,073
At 31 December 2007	2,505	2,269	2,551	7,325

Note:

Pursuant to relevant Taiwan statutory regulation, 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 subsidiary.

16. RESERVES *(Continued)*

Company

	Contributed Surplus *HK$'000*	Capital Reserve *HK$'000*	Total *HK$'000*
At 1 January 2006, 31 December 2006 and 31 December 2007	137,800	20,566	158,366

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

17. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	Group	
	2007 *HK$'000*	2006 *HK$'000*
Current	**14,206**	15,737
Denominated in:		
— NTD	**14,206**	15,418
— RMB	—	319
	14,206	15,737

The carrying amount of trade payables approximate their fair values as at 31 December 2007.

18. DEFERRED INCOME TAX

Deferred tax assets

	Group	
	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	**(349)**	(740)
— Deferred tax asset to be recovered within 12 months	**(381)**	(1,011)
	(730)	(1,751)

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

Deferred tax assets

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unused tax credit		
Beginning of the year	**1,751**	—
(Charged)/credited to the consolidated income statement	**(1,021)**	1,751
End of the year	**730**	1,751

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 2007, the Group has unused tax credit and tax losses of approximately HK$11 million (2006: HK$9 million) and HK$42 million (2006: HK$37 million) respectively. The tax credit and tax losses are subject to approval of the relevant tax authorities in the respectively jurisdictions.

18. DEFERRED INCOME TAX *(Continued)*

Unrecognised tax credit of approximately HK$11 million (2006: HK$7 million) is to expire as follows:

Expiry	**Tax credits** *HK$ million*
2008	1
2009	3
2010	4
2011	3
	11

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprise from 15% to 25% with effect from 1 January 2008. There is no change in the carrying value of deferred income tax for the year ended 31 December 2007 and 2006.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

19. EXPENSES BY NATURE

	2007 *HK$'000*	2006 *HK$'000*
Charges in inventories	**79,288**	90,207
Amortisation of intangible assets *(Note 7)*	**627**	505
Auditors' remuneration	**1,566**	1,296
Depreciation of property, plant and equipment *(Note 6)*	**1,428**	1,637
Operating lease rentals in respect of buildings	**3,839**	3,730
(Reversal of provision)/provision for impairment of trade receivables *(Note 10)*	**(34)**	50
Provision/(reversal of provision) for obsolete inventories *(Note 9)*	**1,528**	(262)
Research and development costs	**2,572**	1,412
Marketing costs	**1,481**	2,369
Employee benefit expenses *(Note 21)*	**22,612**	19,353
(Reversal of provision)/provision for customers' claims	**(2,228)**	2,378
Other expenses	**5,375**	6,337
Total cost of sales, distribution costs and general and administrative expenses	**118,054**	129,012

20. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Bank interest income	**2,251**	1,791
Sundry income	**3,427**	1,950
	5,678	3,741

21. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages and salaries	**12,539**	11,633
Provision for bonuses and welfare fund	**6,984**	6,535
Share options granted to employees	**2,018**	196
Pension costs — defined contribution plan	**711**	689
Directors' emoluments	**360**	300
	22,612	19,353

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

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2007 is set out below:

	2007	2006
	HK$'000	*HK$'000*
Fee for Executive Directors		
— Mr. Yip Chi Hung	**—**	—
— Mr. Chen Che Yuan	**—**	—
Fee for Non-executive Directors		
— Mr. Cheung Hok Ming, Albert	**120**	100
— Mr. Ma Kwai Yuen	**120**	100
— Mr. Wong Chi Keung	**120**	100
	360	300

None of the Directors waived any emoluments during the year.

(b) Five highest paid individuals

None of the five highest paid individuals was a Director of the Company (2006: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals (2006: five) during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and allowances	**2,204**	2,174
Bonuses	**1,035**	1,104
Pension costs — defined contribution plan	**95**	91
	3,334	3,369

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

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

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Nil — HK$1,000,000	**4**	4
HK$1,000,001 — HK$1,500,000	**1**	1
	5	5

During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year (2006: 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 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

	2007	2006
	HK$'000	*HK$'000*
Current income tax		
— Overseas profit tax (credit)/expense	**(264)**	1,816
— (Over)/under provision in prior years	**(12)**	880
Deferred income tax *(note 18)*	**1,021**	(3,051)
	745	(355)

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

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	2007 HK$'000	2006 HK$'000
(Loss)/profit before income tax	**(61,791)**	29,232
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(10,866)**	5,443
Income not subject to tax	**(1,508)**	(5,736)
Expenses not deductible for tax purpose	**12,915**	1,177
Utilisation of previously unrecognised tax losses	**(258)**	—
Tax losses for which no deferred tax income asset was recognised	**944**	901
Utilisation of previously unrecognised income tax credit	**(317)**	(1,269)
Reversal/(recognition) of tax credit	**1,021**	(1,751)
(Over)/under provision in prior years	**(1,186)**	880
Tax charge/(credit)	**745**	(355)

23. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders includes a net loss of approximately HK$37,052,000 (2006: net profit of HK$18,911,000) dealt with in the financial statements of the Company.

24. OTHER (LOSSES)/GAINS

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

	2007 HK$'000	2006 HK$'000
Financial assets at fair value through profits or loss:		
— realised fair value gains	**2,177**	1,979
— unrealised fair value (losses)/gains	**(63,981)**	27,617
Exchange loss, net	**(113)**	(645)
Other (losses)/gains, net	**(61,917)**	28,951

25. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earning per share for the year ended 31 December 2007 is based on the consolidated (loss)/profit attributable to the equity holders of the Company of approximately HK$62,773,000 (2006: HK$25,446,000) and 336,587,142 shares (2006: 336,587,142 shares) in issue during the year. Details of basic (loss)/earnings per share are analysed as follows:

	2007	2006
	HK cents	*HK cents*
Basic (loss)/earnings per share	**(18.65)**	7.56

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2007 and 31 December 2006.

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Reconciliation of (loss)/profit before income tax for the year to cash (used in)/generated from operating activities:

	2007	2006
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(61,791)**	29,232
Adjustments for:		
— Interest income	**(2,251)**	(1,791)
— Amortisation of intangible assets and goodwill	**627**	505
— Depreciation of property, plant and equipment	**1,428**	1,637
— Fair value loss/(gain) from financial assets at fair value through profit or loss	**63,981**	(27,617)
— Employee share option expense	**2,073**	—
— Provision/(Reversal of provision) for obsolete inventories	**1,528**	(262)
— Reversal of provision for impairment of trade receivables	**(34)**	(205)
— Realised gain on disposal of financial assets at fair value through profit or loss	**(2,177)**	(1,979)
Changes in working capital:	**3,384**	(480)
— (Increase)/decrease in inventories	**(11,203)**	6,199
— Decrease in trade and other receivables	**1,891**	2,621
— (Decrease)/increase in trade payables and accruals	**(5,317)**	1,778
— Decrease in balances with related companies	**55**	1,245
Cash (used in)/generated from operations	**(11,190)**	11,363

27. OPERATING LEASE COMMITMENTS

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

	2007 HK$'000	2006 HK$'000
— Not later than one year	**4,498**	3,170
— Later than one year and not later than five years	**6,290**	1,779
	10,788	4,949

28. RELATED PARTY TRANSACTIONS

The Group is controlled by Texan Management Limited (incorporated in British Virgin Islands), which owns approximately 43% of the Company's shares and Mosel Vitelic Inc. ("MVI") (a listed company in Taiwan), which owns approximately 32% of the Company's shares. The remaining 25% of the shares are widely held.

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

		2007 HK$'000	2006 HK$'000
Rental income from			
Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), entity with directorships in common	*(i)*	**243**	238
Expense paid/payable to "MVI"			
Rental expense	*(ii)*	**88**	495
Management fees expense	*(ii)*	**—**	208
Designed service fees	*(iii)*	**211**	651
Technical service fees	*(iii)*	**—**	593
Other service fees	*(iii)*	**84**	—
		383	1,947

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.

28 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2007	2006
	HK$'000	*HK$'000*
Basic salaries and allowances	**749**	748
Bonuses	**394**	406
Pension cost — defined contribution plan	**15**	15
	1,158	1,169

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

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due from				
MVI	**—**	—	**3**	3
Amount due to				
MVI	**2,404**	2,349	**—**	—

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

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