



PacMOS

**PacMOS Technologies Holdings Limited**

(Stock Code : 1010)

PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited PacMOS Technologies Holdings Limited

**2010**  
*Interim Report*

## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Yip Chi Hung (*Chairman*)

Chen Che Yuan (*Chief Executive Officer*)

#### *Independent Non-executive Directors*

Wong Chi Keung

Cheng Hok Ming, Albert

Ma Kwai Yuen

### Board Committees

#### *Audit Committee*

Wong Chi Keung (*Chairman*)

Cheng Hok Ming, Albert

Ma Kwai Yuen

#### *Remuneration Committee*

Wong Chi Keung (*Chairman*)

Cheng Hok Ming, Albert

Ma Kwai Yuen

Yip Chi Hung

#### *Nomination Committee*

Wong Chi Keung (*Chairman*)

Cheng Hok Ming, Albert

Ma Kwai Yuen

Yip Chi Hung

### Company Secretary

Chung Che Ling

### Website

<http://pacmos.etnet.com.hk>

### Auditor

PricewaterhouseCoopers

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

Quarry Bay

Hong Kong

### Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

### Hong Kong Share Registrar

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Hong Kong

### Principal Bankers

Bank of China (Hong Kong) Limited

The Hong Kong & Shanghai Banking

Corporation Limited

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	3,261	2,061
Intangible assets	9	439	65
Long-term deposits		419	1,630
<b>Total non-current assets</b>		<b>4,119</b>	<b>3,756</b>
<b>Current assets</b>			
Inventories		10,560	16,060
Trade receivables	10	11,643	9,771
Deposits, prepayment and other receivables		4,654	1,425
Financial assets at fair value through profit or loss	11	56,688	23,494
Restricted cash		252	249
Short-term bank deposits	12	46,740	49,370
Cash and cash equivalents	12	23,377	30,632
<b>Total current assets</b>		<b>153,914</b>	<b>131,001</b>
<b>Total assets</b>		<b>158,033</b>	<b>134,757</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	13	134,922	134,922
Reserves		(28,630)	(50,878)
		<b>106,292</b>	<b>84,044</b>
Non-controlling interest		35,299	35,155
<b>Total equity</b>		<b>141,591</b>	<b>119,199</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		1,121	1,241
<b>Current liabilities</b>			
Trade payables	14	6,718	5,494
Other payables and accruals		4,944	5,199
Amount due to a related company	15	3,659	3,624
<b>Total current liabilities</b>		<b>15,321</b>	<b>14,317</b>
<b>Total liabilities</b>		<b>16,442</b>	<b>15,558</b>
<b>Total equity and liabilities</b>		<b>158,033</b>	<b>134,757</b>
<b>Net current assets</b>		<b>138,593</b>	<b>116,684</b>
<b>Total assets less current liabilities</b>		<b>142,712</b>	<b>120,440</b>

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	<i>Note</i>	Unaudited Six months ended 30 June	
		2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	3	44,627	30,248
Cost of sales	4	(31,941)	(21,928)
<b>Gross profit</b>		<b>12,686</b>	8,320
Distribution costs	4	(1,645)	(2,104)
General and administrative expenses	4	(16,010)	(14,045)
Other income		367	807
Other gains — net	3, 5	25,548	12,326
<b>Operating profit</b>	3	<b>20,946</b>	5,304
Finance income		506	454
<b>Profit before income tax</b>		<b>21,452</b>	5,758
Income tax expense	6	(35)	—
<b>Profit for the period</b>		<b>21,417</b>	5,758
<b>Attributable to:</b>			
Equity holders of the Company		21,697	6,933
Non-controlling interest		(280)	(1,175)
		<b>21,417</b>	5,758
Earnings per share (basic and diluted)	7	<b>6.45 cents</b>	2.06 cents
Dividends	8	—	—

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
<b>Profit for the period</b>	21,417	5,758
<b>Other comprehensive income</b>		
Currency translation differences	975	(688)
<b>Total comprehensive income for the period</b>	22,392	5,070
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	22,248	6,574
Non-controlling interest	144	(1,504)
	22,392	5,070

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange reserve	Employee share-based		Other statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
				compensation reserve	reserve					
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
<b>Balance at 1 January 2009</b>	33,659	101,263	2,628	2,889	2,882	(58,843)	84,478	36,638	121,116	
Profit for the period	—	—	—	—	—	6,933	6,933	(1,175)	5,758	
Currency translation differences	—	—	(359)	—	—	—	(359)	(329)	(688)	
Total comprehensive income for the period	—	—	(359)	—	—	6,933	6,574	(1,504)	5,070	
<b>Balance at 30 June 2009</b>	33,659	101,263	2,269	2,889	2,882	(51,910)	91,052	35,134	126,186	
<b>Balance at 1 January 2010</b>	33,659	101,263	3,144	2,889	1,582	(58,493)	84,044	35,155	119,199	
Profit for the period	—	—	—	—	—	21,697	21,697	(280)	21,417	
Currency translation differences	—	—	551	—	—	—	551	424	975	
Total comprehensive income for the period	—	—	551	—	—	21,697	22,248	144	22,392	
Expiry of share option scheme	—	—	—	(2,889)	—	2,889	—	—	—	
<b>Balance at 30 June 2010</b>	33,659	101,263	3,695	—	1,582	(33,907)	106,292	35,299	141,591	

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
<b>Cash outflow from operating activities</b>		
Cash used in operations	(949)	(5,469)
Overseas taxes paid	(35)	—
Net cash used in operating activities	(984)	(5,469)
<b>Cash flows from investing activities</b>		
Decrease/(increase) in term deposits with original maturities over three months	2,630	(1,130)
Purchase of property, plant and equipment and intangible assets	(2,185)	(164)
Purchase of financial assets at fair value through profit or loss	(11,655)	(383)
Proceeds from disposal of financial assets at fair value through profit or loss	3,618	—
Interest received	506	454
Net cash used in investing activities	(7,086)	(1,223)
<b>Net decrease in cash and cash equivalents</b>	(8,070)	(6,692)
Cash and cash equivalents at 1 January	30,632	39,744
Exchange gains/(losses)	815	(702)
<b>Cash and cash equivalents at 30 June</b>	23,377	32,350

The notes on pages 7 to 17 form an integral part of this condensed consolidated interim financial information.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. General information

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

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, Quarry Bay, Hong Kong.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 23 August 2010.

This condensed consolidated interim financial information has not been audited.

## 2. Basis of preparation and accounting policies

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual report of the Group for the year ended 31 December 2009, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

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

HKFRS 3 (revised), “Business combinations”, and consequential amendments to HKAS 27, “Consolidated and separate financial statements”, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-



controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. HKAS 27 (revised) requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant to the Group.

- HKAS 28 (Amendment), "Investments in associates"
- HKAS 31 (Amendment), "Investments in joint ventures"
- HKAS 23 (Amendment), "Borrowing costs"
- HK(IFRIC)-Int 17, "Distributions of non-cash assets to owners"
- (Amendment to HKFRS 1) "Additional exemptions for first-time adopters"
- HKAS 39 (Amendment), "Eligible hedged items"
- HKFRS 2 (Amendment), "Group cash-settled share-based payment transaction"
- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.
- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, "Financial instruments" addresses the classification and measurement of financial assets and may affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact.
- HKAS 24 (Revised) "Related party disclosures" supersedes HKAS 24 "Related party disclosures" issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised HKAS 24 from 1 January 2010.
- Under "Classification of rights issues" (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

- Amendments to HK(IFRIC) Int — 14 “Prepayments of a minimum funding requirement” corrects an unintended consequence of HK(IFRIC) Int — 14, “HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction”. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int — 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.
- HK(IFRIC) — Int 19, “Extinguishing financial liabilities with equity instruments” clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- “Limited exemption from comparative HKFRS 7 disclosures for first-time adopters” (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011.

### 3. Segment information

The Group is principally engaged in the design, distribution and trading of integrated circuits and semiconductor parts in Taiwan and the PRC, and investment holding.

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

- (i) corporate administration and investment functions performed by the Hong Kong headquarters;
- (ii) design and sales of micro-controller units used in wide range of electronic products conducted through the subsidiary in Taiwan; and
- (iii) design and sales of integrated circuits in calipers used in industrial and household measuring tools conducted through the subsidiary in the PRC.

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

# PacMOS Technologies Holdings Limited

## Interim Report 2010

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

	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2010</b>				
Revenues	—	38,846	5,781	44,627
Operating profit/(loss)	21,391	(804)	359	20,946
Profit/(loss) for the period	21,684	(621)	354	21,417
Other gains — net, included in operating profit/(loss)	25,158	388	2	25,548
Capital expenditures	7	2,168	10	2,185
<b>As at 30 June 2010</b>				
Assets	60,474	87,594	9,965	158,033
Liabilities	1,154	9,153	6,135	16,442

	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2009</b>				
Revenues	—	26,963	3,285	30,248
Operating profit/(loss)	9,258	(3,042)	(912)	5,304
Profit/(loss) for the period	9,260	(2,612)	(890)	5,758
Other gains — net, included in operating profit/(loss)	12,401	(72)	(3)	12,326
Capital expenditures	158	6	—	164
<b>As at 31 December 2009</b>				
Assets	39,188	86,512	9,057	134,757
Liabilities	1,629	8,391	5,538	15,558

For the six months ended 30 June 2010, revenues of approximately HK\$14,914,000 (for the six months ended 30 June 2009: HK\$13,189,000) are derived from a single external customer. These revenues are attributable to the Taiwan segment.

#### 4. Expenses by nature

Expenses included in cost of sales, distribution costs and general and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Amortisation of intangible assets	108	83
Depreciation of property, plant and equipment	519	464
Operating lease rentals in respect of land and building	2,387	2,492
Research and development costs	717	395
Marketing costs	586	574
Employee benefit expenses (including directors' emoluments)	10,505	10,341
Cost of inventories sold	30,950	20,955
Others	3,824	2,773
Total cost of sales, distribution costs and administrative expenses	49,596	38,077

#### 5. Other gains — net

Other gains recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss:		
— realised fair value gains	49	—
— unrealised fair value gains	24,966	12,401
Exchange gains/(losses) — net	533	(75)
Total other gains — net	25,548	12,326

#### 6. Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) on the estimated assessable profit for the period. Overseas tax has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The amount of tax charged to the condensed consolidated interim income statement represents:

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current income tax		
— Overseas tax	(35)	—
	(35)	—

#### 7. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately HK\$21,697,000 (2009: HK\$6,933,000) and 336,587,142 shares (2009: 336,587,142 shares) in issue during the period. Details of basic earnings per share are analysed as follows:

	Unaudited Six months ended 30 June	
	2010 HK cents	2009 HK cents
Basic earnings per share	6.45	2.06

The share option scheme for the Company's subsidiary had expired on 31 December 2009. No share option was exercised upon expiration date.

#### 8. Dividends

The directors do not recommend the payment of a dividend (six months ended 30 June 2009: Nil).

## 9. Property, plant and equipment and intangible assets

	Property, plant and equipment <i>HKS'000</i>	Intangible assets <i>HKS'000</i>	Total <i>HKS'000</i>
Opening net book amount as at 1 January 2009	2,558	212	2,770
Additions	164	—	164
Depreciation and amortisation	(464)	(83)	(547)
Currency translation differences	(9)	(2)	(11)
Closing net book amount as at 30 June 2009	2,249	127	2,376
Opening net book amount as at 1 January 2010	2,061	65	2,126
Additions	1,703	482	2,185
Depreciation and amortisation	(519)	(108)	(627)
Currency translation differences	16	—	16
Closing net book amount as at 30 June 2010	3,261	439	3,700

## 10. Trade receivables

The Group normally allows an average credit period of 30 to 60 days to its customers. An aging analysis of trade receivables is as follows:

	Unaudited 30 June 2010 <i>HKS'000</i>	Audited 31 December 2009 <i>HKS'000</i>
Current	11,643	9,771
1 to 30 days	—	—
Less: Provision for impairment of receivables	—	—
	11,643	9,771

## 11. Financial assets at fair value through profit or loss

	Unaudited 30 June 2010 <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Listed equity securities in		
— The United States of America	36,860	17,772
— Hong Kong	1,998	5,722
Market value of listed securities	<b>38,858</b>	23,494
Investment in unlisted convertible bonds	17,830	—
	<b>56,688</b>	23,494

Changes in fair value of the financial assets at fair value through profit or loss are recorded in other gains, net in the condensed consolidated interim income statement.

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

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

The convertible bonds were fair valued at 30 June 2010 by Vigers Appraisal & Consulting Limited, an independent firm of valuers not connected to the Group.

The fair value of all equity securities was determined based on their bid prices in an active market as at 30 June 2010.

As at 30 June 2010, the carrying amounts of the Group's interests in ChipMOS exceeded 10% of the total assets of the Group.

As at 30 June 2010, interest receivables on the convertible bonds amounted to approximately HK\$0.3 million in the form of ChipMOS's common shares.

## 12. Cash and cash equivalents and short-term bank deposits

	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
Cash at bank	14,652	23,558
Term deposits with original maturities three months or less	8,572	6,926
Cash on hand	153	148
Cash and cash equivalents	23,377	30,632
Term deposits with original maturities over three months	46,740	49,370
Total cash and bank balances	70,117	80,002

## 13. Share capital

	Number of share (thousands)	Ordinary shares HK\$'000	Share premium HK\$'000	Total share capital HK\$'000
At 31 December 2009 and 30 June 2010	336,587	33,659	101,263	134,922

The total authorised number of ordinary shares is 500 million shares (31 December 2009: 500 million shares) with a par value of HK\$0.1 per share (31 December 2009: HK\$0.1 per share). All issued shares are fully paid.

## 14. Trade payables

An aging analysis of the trade payables is as follows:

	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
Current	6,718	5,494



## 15. Related party transactions

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

- (a) During the period, the Group undertook the following significant transactions with related parties:

	Note	Unaudited Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Rental income from			
Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), an entity with a director in common with the Company	(i)	193	193
Expenses paid/payable to Mosel Vitelic Inc. ("MVI"), a substantial shareholder			
Rental expenses	(ii)	44	36
Design service fees	(iii)	—	13
Other service fees	(iii)	44	34
		88	83

- (i) The rental was charged to Fong Wing Shing based on the floor area occupied.
- (ii) During the six months ended 30 June 2010, the rental expenses payable to MVI were charged by reference to open market rental as appraised by an independent valuer for comparable premises.
- (iii) The design service fees and other service fees payable to MVI were at a price mutually agreed between the parties.

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

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Due to MVI	3,659	3,624

Balance with a related company was unsecured, interest-free and repayable on demand. The carrying amount of amount due to a related company approximates its fair value.

(c) Key management compensation

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Salaries, allowances and other benefits in kind	946	379
Bonus	100	95
Retirement benefit costs	—	—
	<b>1,046</b>	<b>474</b>

## 16. Commitments

At 30 June 2010, the total future minimum lease payments payable under non-cancellable operating leases were as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2010</b> <i>HK\$'000</i>	Audited 31 December 2009 <i>HK\$'000</i>
Total future minimum lease payments payable:		
— Not later than 1 year	3,639	4,188
— Later than 1 year and not later than 5 years	594	1,098
	<b>4,233</b>	<b>5,286</b>

## RESULTS

During the six months ended 30 June 2010, the Group recorded a turnover of approximately HK\$44.6 million, representing an improvement of approximately 48% as compared to the six months ended 30 June 2009. The profit attributable to equity holders was approximately HK\$21.7 million, as compared to approximately HK\$6.9 million for the six months ended 30 June 2009.

## DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2010.

## BUSINESS REVIEW

### Design and distribution of integrated circuit and semi-conductor parts

For the current period under review, with improvement in global economy, our operation in Taiwan recorded revenue of approximately HK\$38.8 million, an increase of approximately 44% as compared to the corresponding period last year. Our operation in Shanghai also recorded an improvement in revenue to approximately HK\$5.8 million, an increase of approximately 76% as compared to the corresponding period last year. The gross profit margin of our operation in Taiwan was approximately 23% (2009: approximately 24%) and that for our operation in Shanghai was approximately 65% (2009: approximately 57%). For the six months ended 30 June 2010, the operation in Taiwan recorded a net loss of approximately HK\$0.6 million while the operation in Shanghai earned a net profit of approximately HK\$0.4 million.

### Investment holding

The Group held approximately 3.2 million shares of ChipMOS Technologies (Bermuda) Ltd. ("ChipMOS"), a company listed on the NASDAQ. ChipMOS is a leading provider of semiconductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

As at 30 June 2010, the quoted market price of ChipMOS was approximately US\$1.49 per share, as compared to approximately US\$0.71 per share as at 31 December 2009. An unrealised gain of approximately HK\$19.2 million was recorded during the period under review due to mark-to-market valuation of the shares.

The quoted market price of ChipMOS as at 20 August 2010 was approximately US\$1.03.

On 18 December 2009, the Company and ChipMOS entered into a purchase agreement, that the Company would acquire a convertible bond to be issued by ChipMOS with a principal amount of US\$1.5 million. On 9 February 2010, a special shareholders' meeting of the Company was convened

to approve the purchase agreement and the transaction was completed on 8 March 2010. The convertible bond purchased is recorded by the Company as a financial asset at fair value through profit or loss. The valuation of the convertible bond as at 30 June 2010 was approximately US\$2.3 million with an unrealised gain recognised to income statement of approximately HK\$6.2 million for the period under review.

### **Future plans and prospects**

With improvement in worldwide economy especially in China, we expect the Group's performance continues to improve in the coming future. The Group will continue to focus on its main business in design and trading of integrated circuit products, with emphasis in the Greater China region. Research and development activities are underway to improve our existing products and develop new products in order to strengthen our competitive edge in the long run.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2010, the total cash and bank balances of the Group was approximately HK\$70.1 million (31 December 2009: approximately HK\$80.0 million).

For the six months ended 30 June 2010, the net cash outflow of the Group amounted to approximately HK\$8.1 million (2009: outflow of approximately HK\$6.7 million).

As at 30 June 2010, the Group had no outstanding bank loans and no financing cost was incurred for the six months ended 30 June 2010.

## **GEARING RATIO**

No debt financing had been raised for the period under review.

As at 30 June 2010, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of total assets, was approximately 10.4% (31 December 2009: approximately 11.5%).

## **FOREIGN CURRENCY EXPOSURE**

The Group's results are exposed to exchange fluctuations of Renminbi and New Taiwan dollars as the Group has overseas operations in the PRC and Taiwan.

For the period under review, a net exchange gain of approximately HK\$0.5 million (2009: loss of approximately HK\$0.1 million) was recognised in the condensed consolidated income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK\$0.6 million was credited to the exchange reserve (2009: credited of approximately HK\$0.4 million).

## CAPITAL STRUCTURE

No new capital was raised for the six months ended 30 June 2010. The profit attributable to equity holders for the period under review of approximately HK\$21.7 million was transferred to reserves. As at 30 June 2010, the shareholders' fund was approximately HK\$106.3 million (31 December 2009: approximately HK\$84.0 million).

## INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment and intangible assets of approximately HK\$2.2 million for the six months ended 30 June 2010.

As at 30 June 2010, the Group held shares of ChipMOS at mark-to-market valuation of approximately HK\$36.9 million (31 December 2009: approximately HK\$17.8 million) with an unrealised gain of approximately HK\$19.2 million. In addition, the Group held some shares of Hong Kong listed companies with mark-to-market value of approximately HK\$2.0 million as at 30 June 2010 (31 December 2009: approximately HK\$5.7 million). For the period under review, the Group sold approximately HK\$3.0 million Hong Kong listed shares and approximately HK\$0.6 million shares of ChipMOS.

The valuation as at 30 June 2010 of the convertible bond purchased from ChipMOS during the period was approximately US\$2.3 million with an unrealised gain recognised to income statement of approximately HK\$6.2 million for the period under review.

## CHARGE ON ASSETS

As at 30 June 2010, the Group had restricted banks deposits of approximately HK\$0.3 million, for the purpose of securing payment of value added tax as required by Taiwan Tax Bureau.

## SEGMENTAL INFORMATION

For the six months ended 30 June 2010, the operation in Taiwan contributed approximately 87% (2009: approximately 89%) of the revenue of the Group, while the remaining approximately 13% (2009: approximately 11%) was contributed by the operation in Shanghai.

## HUMAN RESOURCES

As at 30 June 2010, the number of staff of the Group was approximately 87.

## CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2010.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2010.

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

As at 30 June 2010, none of the directors nor the chief executives 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 the SFO, 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").

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

<b>Name of Shareholder</b>	<b>Number of issued shares</b>	<b>Percentage holding</b>
Texan Management Limited ( <i>note (1)</i> )	145,610,000	43.3%
Vision2000 Venture Ltd. ("Vision2000") ( <i>note (2)</i> )	106,043,142	31.5%

*Notes:*

- (1) Texan Management Limited (“Texan”) had notified the Company, as of 27 June 1997, it was interested in 145,610,000 Shares, representing approximately 43.3% of the Company’s issued share capital. All Dragon International Limited (“All Dragon”) had notified the Company, as of 27 June 1997, it was deemed to be interested in the 145,610,000 Shares held by Texan, as being the controlling corporation of Texan.

The Company had been provided with a judgment of the court dated 18 January 2008 (“Judgment”) in respect of an application for summary judgment (“Application”) by Pacific Electric Wire and Cable Company Limited (“Pacific Electric”) in the Legal Action (as defined below). Pursuant to the Judgment, it was held, among other things, Texan held the Shares owned by it upon trust for Pacific Electric. Pacific Electric had notified the Company on 22 January 2008 that Pacific Electric was the beneficial owner of the 145,610,000 Shares, representing approximately 43.26% of the Company’s issued share capital. The Company had also been notified by Texan that Texan would appeal against the Judgment and the findings made therein, including, the finding that Texan held the shares upon trust for Pacific Electric.

On 16 October 2008, the Company was notified that in compliance with the order of the Court (“Order”) which ordered Texan and Pacific Capital (Asia) Limited (“PC Asia”) to transfer their respective Shares (being 145,609,998 Shares for Texan and 1 Share for PC Asia) to PEWC Asset Holdings Limited (“PAH”), a wholly owned subsidiary of Pacific Electric, made pursuant to the Application, Texan and PC Asia had prepared documents for the transfer of their respective said Shares to be delivered to Pacific Electric. (On or about 27 February 2009, the said 145,609,999 Shares had been registered in the name of PAH.)

On 18 November 2008, PAH had notified the Company that PAH was interested, as nominee, in 145,609,999 Shares, representing approximately 43.26% of the Company’s issued share capital.

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

- (i) Texan and PC Asia, amongst others, had successfully appealed against the Order in the Court of Appeal on 2 and 3 March 2009; and
- (ii) the Court of Appeal ordered on 3 March 2009 that the Order be discharged.

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

- (i) pursuant to an order of the Court of Appeal dated 3 March 2009 (“Court of Appeal Order”), Pacific Electric was ordered by the Court of Appeal to procure PAH to transfer 145,609,999 Shares to Texan and PC Asia; and
- (ii) due to Pacific Electric’s non-compliance with the Court of Appeal Order, Texan and PC Asia applied to the court for the execution of the relevant share transfers by a judicial officer in place of PAH, and such application was approved by the court on 31 July 2009. Accordingly, the said 145,609,999 Shares had been transferred to Texan (as to 145,609,998 Shares) and to PC Asia (as to 1 Share).

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

The Legal Action refers to the legal action instituted by Pacific Electric, as plaintiff, on 23 September 2004 in the High Court of Hong Kong (“Legal Action”) against, among others, Texan and All Dragon in respect of, among others, shares of the Company held by Texan. Further details on the Legal Action are set out in the announcements of the Company dated 21 March 2006, 18 April 2006, 25 January 2008, 20 October 2008, 5 March 2009 and 25 August 2009.

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

## SHARE OPTIONS

On 29 November 2006, an ordinary resolution was passed at a special general meeting of the Company 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”). As at 31 December 2009, SyncMOS Taiwan had granted 2,280,000 options to its full time employees, including directors, to subscribe for shares of SyncMOS Taiwan. As at 31 December 2009, the exercise period of the share options outstanding expired, and no option granted was exercised.

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors who together have substantial experience in auditing, business and regulatory affairs.

## REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2010.

## CORPORATE GOVERNANCE

The Company has complied with the code provisions (the “Code”) of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the accounting period covered by the 2010 interim report 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.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, after specific enquiry by the Company, which they have complied with the required standard set out in the Model Code during the six months ended 30 June 2010.

On behalf of the Board

**Yip Chi Hung**

*Chairman*

Hong Kong, 23 August 2010