



# **PacMOS Technologies Holdings Limited**

(Stock Code : 1010)

Interim Report **2011**

## 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

Suites 2905-10,  
Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai  
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

		Unaudited 30 June 2011 <i>HK\$'000</i>	Audited 31 December 2010 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	4,336	2,053
Intangible assets	9	420	426
Long-term deposits		1,440	1,427
<b>Total non-current assets</b>		<b>6,196</b>	<b>3,906</b>
<b>Current assets</b>			
Inventories		20,472	20,207
Trade receivables	10	12,234	9,016
Deposits, prepayment and other receivables		3,433	3,381
Financial assets at fair value through profit or loss	11	64,736	53,818
Restricted cash		280	275
Short-term bank deposits	12	25,460	34,843
Cash and cash equivalents	12	40,601	32,418
<b>Total current assets</b>		<b>167,216</b>	<b>153,958</b>
<b>Total assets</b>		<b>173,412</b>	<b>157,864</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	13	134,922	134,922
Reserves		(14,165)	(31,633)
		<b>120,757</b>	<b>103,289</b>
Non-controlling interest		35,305	35,688
<b>Total equity</b>		<b>156,062</b>	<b>138,977</b>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(Continued)*

		Unaudited 30 June 2011 <i>HK\$'000</i>	Audited 31 December 2010 <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Other payables		530	520
<b>Current liabilities</b>			
Trade payables	<i>14</i>	5,994	4,608
Other payables and accruals		6,943	9,947
Amount due to a related company	<i>15</i>	3,883	3,812
<b>Total current liabilities</b>		<b>16,820</b>	18,367
<b>Total liabilities</b>		<b>17,350</b>	18,887
<b>Total equity and liabilities</b>		<b>173,412</b>	157,864
<b>Net current assets</b>		<b>150,396</b>	135,591
<b>Total assets less current liabilities</b>		<b>156,592</b>	139,497

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>		
Revenue	3	42,507	44,627
Cost of sales	4	(29,457)	(31,941)
<b>Gross profit</b>		<b>13,050</b>	12,686
Distribution costs	4	(2,189)	(1,645)
General and administrative expenses	4	(16,839)	(16,010)
Other income		402	367
Other gains — net	3, 5	20,792	25,548
<b>Operating profit</b>	3	<b>15,216</b>	20,946
Finance income		475	506
<b>Profit before income tax</b>		<b>15,691</b>	21,452
Income tax expense	6	(111)	(35)
<b>Profit for the period</b>	3	<b>15,580</b>	21,417
<b>Attributable to:</b>			
Equity holders of the Company		16,599	21,697
Non-controlling interest		(1,019)	(280)
		<b>15,580</b>	21,417
Earnings per share (basic and diluted)	7	4.93 cents	6.45 cents
Dividend	8	—	—

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Profit for the period</b>	<b>15,580</b>	21,417
<b>Other comprehensive income</b>		
Currency translation differences	<b>1,505</b>	975
<b>Total comprehensive income for the period</b>	<b>17,085</b>	22,392
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>17,468</b>	22,248
Non-controlling interest	<b>(383)</b>	144
	<b>17,085</b>	22,392

The notes on pages 8 to 18 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 HK\$'000	Share premium HK\$'000	Exchange Reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Other statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
<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	—	—	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
<b>Balance at 1 January 2011</b>	33,659	101,263	7,499	—	1,582	(40,714)	103,289	35,688	138,977
Profit for the period	—	—	—	—	—	16,599	16,599	(1,019)	15,580
Currency translation differences	—	—	869	—	—	—	869	636	1,505
Total comprehensive income	—	—	869	—	—	16,599	17,468	(383)	17,085
<b>Balance at 30 June 2011</b>	33,659	101,263	8,368	—	1,582	(24,115)	120,757	35,305	156,062

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash outflow from operating activities</b>		
Cash used in operations	(10,142)	(949)
Overseas taxes paid	(111)	(35)
Net cash used in operating activities	<b>(10,253)</b>	(984)
<b>Cash flows from investing activities</b>		
Decrease in term deposits with original maturities over three months	9,383	2,630
Purchase of property, plant and equipment and intangible assets	(2,993)	(2,185)
Purchase of financial assets at fair value through profit or loss	—	(11,655)
Proceeds from disposal of financial assets at fair value through profit or loss	10,755	3,618
Interest received	199	506
Net cash generated from/(used in) investing activities	<b>17,344</b>	(7,086)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,091</b>	(8,070)
Cash and cash equivalents at 1 January	32,418	30,632
Exchange gains	1,092	815
<b>Cash and cash equivalents at 30 June</b>	<b>40,601</b>	23,377

The notes on pages 8 to 18 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 Suites 2905-10, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors of the Company on 22 August 2011.

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 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010, which have 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 2010, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), “Related Party Disclosures” is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

- Amendment to HKAS 34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

**(b) *Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group***

- Amendment to HKAS 32 ‘Classification of rights issues’ is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- Amendment to HK(IFRIC) — Int-14 ‘Prepayments of a minimum funding requirement’ is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) — Int 19 ‘Extinguishing financial liabilities with equity instruments’ is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 ‘Interim financial reporting’ as disclosed in note 2(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. 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 semi-conductor 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 a wide range of electronic products conducted through the Group’s subsidiary in Taiwan; and
- (iii) design and sales of integrated circuits in calipers used in industrial and household measuring tools conducted through the Group’s subsidiary in the PRC.

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

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

	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 2011</b>				
Revenue from external customers	—	35,767	6,740	42,507
Operating profit/(loss)	16,727	(2,446)	935	15,216
Profit/(loss) for the period	17,003	(2,264)	841	15,580
Other gains — net, included in operating profit/(loss)	21,145	(340)	(13)	20,792
Capital expenditures	1,005	1,630	358	2,993
<b>As at 30 June 2011</b>				
Segment assets	74,763	87,906	10,743	173,412
Segment liabilities	(2,009)	(9,580)	(5,761)	(17,350)
	<i>Hong Kong HK\$'000</i>	<i>Taiwan HK\$'000</i>	<i>PRC HK\$'000</i>	<i>Total HK\$'000</i>
<b>Six months ended 30 June 2010</b>				
Revenue from external customers	—	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	25,158	388	2	25,548
Capital expenditures	7	2,168	10	2,185
<b>As at 31 December 2010</b>				
Segment assets	59,457	88,465	9,942	157,864
Segment liabilities	(3,580)	(9,288)	(6,019)	(18,887)

For the six months ended 30 June 2011, revenue of approximately HK\$14,216,000 (for the six months ended 30 June 2010: HK\$14,914,000) are derived from a single external customer. This revenue is 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	
	2011 HK\$'000	2010 HK\$'000
Amortisation of intangible assets	176	108
Depreciation of property, plant and equipment	600	519
Operating lease rentals in respect of land and building	3,503	2,387
Research and development costs	238	717
Marketing costs	917	586
Employee benefit expenses (including directors' emoluments)	11,807	10,505
Cost of inventories sold	28,194	30,950
Others	3,050	3,824
Total cost of sales, distribution costs and general and administrative expenses	48,485	49,596

5. Other gains — net

Other gains recognised during the period are as follows:

	Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Financial assets at fair value through profit or loss:		
— realised gains	2,855	49
— unrealised gains	18,252	24,966
Exchange (losses)/gains — net	(315)	533
Total other gains — net	20,792	25,548

**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 2010: 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:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2011 HK\$'000</b>	<b>2010 HK\$'000</b>
Current income tax		
— Overseas tax	<b>(111)</b>	<b>(35)</b>
	<b>(111)</b>	<b>(35)</b>

**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\$16,599,000 (2010: HK\$21,697,000) and 336,587,142 shares (2010: 336,587,142 shares) in issue during the period. Details of basic earnings per share are analysed as follows:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2011 HK cents</b>	<b>2010 HK cents</b>
Basic earnings per share	<b>4.93</b>	<b>6.45</b>
	<b>4.93</b>	<b>6.45</b>

**8. Dividend**

The directors do not recommend the payment of a dividend (six months ended 30 June 2010: Nil).

9. Property, plant and equipment and intangible assets

	Property, plant and equipment <i>HK\$'000</i>	Intangible assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Opening net book amount as at 1 January 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
Opening net book amount as at 1 January 2011	2,053	426	2,479
Additions	2,830	163	2,993
Depreciation and amortisation	(600)	(176)	(776)
Currency translation differences	53	7	60
Closing net book amount as at 30 June 2011	4,336	420	4,756

10. Trade receivables

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

	Unaudited 30 June 2011 <i>HK\$'000</i>	Audited 31 December 2010 <i>HK\$'000</i>
Current	12,234	9,016
1 to 30 days	—	—
	12,234	9,016
Less: Provision for impairment of receivables	—	—
	12,234	9,016

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

	<b>Unaudited 30 June 2011 HK\$'000</b>	<b>Audited 31 December 2010 HK\$'000</b>
Listed equity securities in		
— The United States of America	63,865	34,268
— Hong Kong	871	890
Market value of listed securities	<b>64,736</b>	35,158
Investment in unlisted convertible bonds	—	18,660
	<b>64,736</b>	53,818

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.

During the six months ended 30 June 2011, the convertible bonds were converted into the underlying shares, which were recorded in listed securities as shown in the table above.

The fair value of all equity securities was determined based on their bid prices in an active market as at 30 June 2011.

As at 30 June 2011, the carrying amounts of the Group's interests in the shares of ChipMOS Technologies (Bermuda) Ltd. represented 37% of the total assets of the Group.

The quoted market price of ChipMOS as at 19 August 2011 was approximately US\$5.27.



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

	<b>Unaudited 30 June 2011 HK\$'000</b>	Audited 31 December 2010 HK\$'000
Cash at bank	18,019	14,364
Term deposits with original maturities of three months or less	22,565	17,901
Cash on hand	17	153
Cash and cash equivalents	<b>40,601</b>	32,418
Term deposits with original maturities over three months	25,460	34,843
Total cash and bank balances	<b>66,061</b>	67,261

**13. Share capital**

	Number of issued share (thousands)	Issued ordinary shares HK\$'000	Share premium HK\$'000	Total share capital HK\$'000
At 31 December 2010 and 30 June 2011	336,587	33,659	101,263	134,922

The total authorised number of ordinary shares is 500 million shares (31 December 2010: 500 million shares) with a par value of HK\$0.1 per share (31 December 2010: HK\$0.1 per share). All issued shares are fully paid.

**14. Trade payables**

An ageing analysis of the trade payables is as follows:

	<b>Unaudited 30 June 2011 HK\$'000</b>	Audited 31 December 2010 HK\$'000
Less than one year	5,994	4,608

## 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:

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
<i>Note</i>	<b>2011</b>	<b>2010</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
Rental income from Fong Wing Shing Construction Company Limited (“Fong Wing Shing”), an entity with a director in common with the Company	(i)	332	193
Expenses paid/payable to Mosel Vitelic Inc. (“MVI”), a substantial shareholder			
Rental expenses	(ii)	49	44
Other service fees	(iii)	47	44
		<b>96</b>	<b>88</b>

- (i) The rental was charged to Fong Wing Shing based on the floor area occupied.
- (ii) The rental expenses payable to MVI were charged by reference to open market rental as appraised by an independent valuer for comparable premises.
- (iii) The 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 30 June 2011 HK\$'000</b>	Audited 31 December 2010 HK\$'000
Due to MVI	3,883	3,812

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 Six months ended 30 June</b>	
	<b>2011 HK\$'000</b>	2010 HK\$'000
Salaries, allowances and other benefits in kind	1,022	946
Bonus	113	100
	<b>1,135</b>	<b>1,046</b>

## 16. Commitments

At 30 June 2011, the total future minimum lease payments payable under non-cancellable operating leases were as follows:

	<b>Unaudited 30 June 2011 HK\$'000</b>	Audited 31 December 2010 HK\$'000
Total future minimum lease payments payable:		
— Not later than 1 year	5,723	4,269
— Later than 1 year and not later than 5 years	7,745	7,178
	<b>13,468</b>	<b>11,447</b>

## RESULTS

During the six months ended 30 June 2011, the Group achieved a turnover of approximately HK\$42.5 million, representing a decrease of approximately 5% as compared to the six months ended 30 June 2010. The profit attributable to equity holders was approximately HK\$16.6 million, as compared to approximately HK\$21.7 million for the six months ended 30 June 2010.

## DIVIDEND

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2011.

## BUSINESS REVIEW

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

For the six months ended 30 June 2011, with soft market demand, our operation in Taiwan recorded revenue of approximately HK\$35.8 million, a decrease of approximately 8% as compared to the corresponding period last year. Our operation in Shanghai recorded a continuing growth in revenue to approximately HK\$6.7 million, an increase of approximately 17% as compared to the corresponding period last year. The gross profit margin of our operation in Taiwan was approximately 24% (2010: approximately 23%) and that for our operation in Shanghai was approximately 67% (2010: approximately 65%). For the period under review, the operation in Taiwan recorded a net loss of approximately HK\$2.3 million (2010: approximately HK\$0.6 million) while the operation in Shanghai earned a net profit of approximately HK\$1.0 million (2010: approximately HK\$0.4 million).

### **Investment holding**

As at 30 June 2011, the Group held approximately 915,000 shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”), a company listed on the NASDAQ. ChipMOS is a leading provider of semiconductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

On 8 March 2010, the Company purchased from ChipMOS convertible bonds of US\$1.5 million with a conversion price of US\$5.00 per share of ChipMOS. On 19 April 2011, ChipMOS exercised its right to effect a conversion of the convertible bonds for the full amount of US\$1.5 million. The aggregate number of shares of ChipMOS obtained by the Company were 351,734 shares.

During the period under review, the Company disposed on the NASDAQ 165,752 shares of ChipMOS with an average price of approximately US\$8.3 per share. Sale proceeds obtained by the Company were approximately HK\$10.8 million with a realised gain of approximately HK\$2.9 million.

As at 30 June 2011, the quoted market price of ChipMOS was approximately US\$8.97 per share, as compared to approximately US\$6.12 per share as at 31 December 2010. An unrealised gain of approximately HK\$14.9 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 19 August 2011 was approximately US\$5.27.

### **Future plans and prospects**

The Group will continue to focus on its main business in the design and trading of integrated circuit products. Research and development activities are underway to improve our existing products and to develop new products in order to strengthen our competitive edge in the long run.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2011, the cash and cash equivalents of the Group amounted to approximately HK\$40.6 million (31 December 2010: approximately HK\$32.4 million).

For the six months ended 30 June 2011, the net cash inflow of the Group amounted to approximately HK\$7.1 million (2010: net cash outflow amounted to approximately HK\$8.1 million).

As at 30 June 2011, the Group had no outstanding bank loan and no financing cost was incurred for the six months ended 30 June 2011.

As at 30 June 2011, the Group had short-term bank deposits of approximately HK\$25.5 million (31 December 2010: approximately HK\$34.8 million).

## GEARING RATIO

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

As at 30 June 2011, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of total assets, was approximately 10.0% (31 December 2010: approximately 12.0%).

## 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 loss of approximately HK\$0.3 million (2010: gain of approximately HK\$0.5 million) was recognised in the condensed consolidated income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK\$0.9 million was credited to the exchange reserve (2010: credited of approximately HK\$0.6 million).

## CAPITAL STRUCTURE

No new capital was raised for the six months ended 30 June 2011. The profit attributable to equity holders for the period of approximately HK\$16.6 million was transferred to reserves. As at 30 June 2011, the shareholders' fund was approximately HK\$120.8 million (31 December 2010: approximately HK\$103.3 million).

## INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment and intangible assets of approximately HK\$3.0 million for the six months ended 30 June 2011.

As at 30 June 2011, the Group held shares of ChipMOS at mark-to-market valuation of approximately HK\$63.9 million (31 December 2010: approximately HK\$34.3 million). In addition, the Group held some shares of Hong Kong listed companies with mark-to-market value of approximately HK\$0.9 million as at 30 June 2011 (31 December 2010: approximately HK\$0.9 million). For the period under review, the Group sold ChipMOS shares with a total sale proceeds of approximately HK\$10.8 million.

## **CHARGE ON ASSETS**

As at 30 June 2011, 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 period under review, the operation in Taiwan contributed approximately 84% (2010: approximately 87%) of the revenue of the Group, while the remaining approximately 16% (2010: approximately 13%) was contributed by the operation in Shanghai.

## **HUMAN RESOURCES**

As at 30 June 2011, the number of staff of the Group was approximately 88.

## **CONTINGENT LIABILITIES**

No material contingent liabilities of the Group were noted as at 30 June 2011.

## **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 2011.

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

As at 30 June 2011, 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 2011, 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 ( <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 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.

## **DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), the changes in information of directors of the Company subsequent to the date of the 2010 annual report of the Company are set out below:

Dr. Ma Kwai Yuen, Independent Non-executive Director, has been appointed as independent non-executive director and chairmen of audit and corporate governance committees of China Fiber Optic Network System Group Limited (stock code: 3777), a company listed on the Stock Exchange, with effect from 3 June 2011. Dr. Ma also received a Doctor of Philosophy in Business Administration from Bulacan State University in May 2011.

## **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 2011.

## **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 2011 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 for Securities Transactions by Directors of Listed Issuers (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 2011.

On behalf of the Board  
**Yip Chi Hung**  
*Chairman*

Hong Kong, 22 August 2011