PacMOS

PacMOS Technologies Holdings Limited

(Stock Code : 1010)

Annual Report 2011

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
Dr. Ma Kwai Yuen

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Chung Che Ling

WEBSITE

http://pacmos.etnet.com.hk

AUDITORS

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

Directors and Senior Management Biographies

EXECUTIVE DIRECTORS

Mr. Yip Chi Hung, aged 53, has been appointed as an executive director of the Company since November 1998 and elected as Chairman of the Board since March 2006. He has extensive experience in corporate management and is responsible for formulating the Group's management philosophy and corporate strategies. Mr. Yip is also experienced in the construction industry.

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

Mr. Chen Che Yuan, aged 57, joined the Company in March 2006. He has been appointed as an executive director and the chief executive officer of the Company since March 2006.

Mr. Chen 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 30 years of experience in design and developing semiconductor IC packaging, semiconductor backend manufacturing and has extensive experience in corporate management.

With effect from 11 March 2011, Mr. Chen has resigned as the supervisor to the board of directors, elected by respective member, of each of the following companies: (i) DenMOS TECHNOLOGY, Inc., a subsidiary of Mosel Vitelic Inc. ("MVI") representing approximately 44% of its issued share capital, (ii) Mau Fu Investments Corp. Ltd., a wholly owned subsidiary of MVI, and (iii) Bau De Investment Corp. Limited, a wholly owned subsidiary of MVI. MVI is a listed company in Taiwan and the Company's substantial shareholder representing approximately 31.5% of the Company's issued share capital.

In March 2011, Mr. Chen has joined OPTOTECH Corporation ("OPTO TECH"), a listed company in Taiwan, as Project Director and as the General Manager of its affiliated company, Ningbo OPTOTECH Semiconductor Co., Ltd.. OPTO TECH is engaged in manufacturing of products of LED, silicon based components, and outdoor displays and lightings, who is one of the major LED chips manufacturer in the Science-Based Industrial Park, Hsin Chiu, Taiwan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung, aged 57, holds a master's degree in business administration from the University of Adelaide in Australia. Mr. Wong has been appointed as an independent non-executive director of the Company since August 1995. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia; an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a licensed representative for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the Securities and Futures Ordinance of Hong Kong.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for over 10 years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies are listed on the Stock Exchange. Mr. Wong was also an independent non-executive director of (i) Great Wall Motor Company Limited for the period from 20 August 2003 to 5 June 2009, (ii)International Entertainment Corporation for the period from 24 September 2004 to 23 September 2008, and (iii) FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) for the period from 22 November 2004 to 24 June 2011, all of these companies are listed on the Stock Exchange. Mr. Wong has over 34 years of experience in finance, accounting and management.

Mr. Cheng Hok Ming, Albert, aged 50, has been appointed as an independent non-executive director of the Company since 30 September 2004. Mr. Cheng has extensive working experience in accounting and commercial fields. He is currently the senior audit manager of a certified public accountants firm practicing in Hong Kong.

Dr. Ma Kwai Yuen, aged 59, received a Doctor of Philosophy in Business Administration from Bulacan State University in May 2011. He is an executive director of a consulting company in Hong Kong. Dr. Ma has been appointed as an independent non-executive director of the Company since June 2005. He has been the corporate planning manager of Sino Realty and Enterprises Limited and a consultant of Jardine Management Consulting Service Pty., Ltd. He is an independent non-executive director and a member of the audit, nomination and remuneration committees of China Aoyuan Property Group Limited and Genvon Group Limited (formerly known as Wang Sing International Holdings Group Limited), companies listed on The Stock Exchange of Hong Kong Limited. Further, Dr. Ma is an independent non-executive director and chairmen of the audit and corporate governance committees of China Fiber Optic Network System Group Limited, a listed company in Hong Kong. Dr. Ma was also an independent non-executive director of (i) China Boon Holdings Limited (formerly known as Vision Tech International Holdings Limited) for the period from 6 March 2008 to 10 June 2009, and (ii) China Shineway Pharmaceutical Group Limited for the period from 30 May 2008 to 16 December 2009, which are also listed companies in Hong Kong.

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

Financial Summary

RESULTS

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Restated	*Restated*	*Restated*	*Restated*
Continuing operations:					
Turnover	**12,436**	11,031	7,734	9,454	11,880
(Loss)/profit before income tax	**(16,685)**	18,490	3,894	(111,702)	(61,865)
Income tax (expenses)/credit	**(144)**	(45)	329	812	578
(Loss)/profit for the year from continuing operations	**(16,829)**	18,445	4,223	(110,890)	(61,287)
Discontinued operations:					
Loss for the year from discontinued operations	**(4,085)**	(6,465)	(7,041)	(4,068)	(1,249)
(Loss)/profit for the year	**(20,914)**	11,980	(2,818)	(114,958)	(62,536)
Attributable to:					
Equity holders of the Company	**(19,075)**	14,890	350	(113,128)	(62,773)
Non-controlling interests	**(1,839)**	(2,910)	(3,168)	(1,830)	237
	(20,914)	11,980	(2,818)	(114,958)	(62,536)

Financial Summary

COMBINED ASSETS AND LIABILITIES

	31 December 2011 HK$'000	31 December 2010 HK$'000	31 December 2009 HK$'000	31 December 2008 HK$'000	31 December 2007 HK$'000
Non-current assets	**3,291**	3,906	3,756	3,508	5,275
Net current assets	**94,574**	135,591	116,684	117,608	232,342
Total assets less current liabilities	**97,865**	139,497	120,440	121,116	237,617
Non-current liabilities	**(973)**	(520)	(1,241)	—	—
Net assets	**96,892**	138,977	119,199	121,116	237,617
Non-controlling interest	**(14,669)**	(35,688)	(35,155)	(36,638)	(40,754)
	82,223	103,289	84,044	84,478	196,863
Shareholders' equity					
Share capital	**134,922**	134,922	134,922	134,922	134,922
Reserves	**(52,699)**	(31,633)	(50,878)	(50,444)	61,941
	82,223	103,289	84,044	84,478	196,863
OTHER DATA					
Basic & diluted (loss)/earnings per share	**(5.67 cents)**	4.42 cents	0.10 cents	(33.61 cents)	(18.65 cents)
Shareholders' equity per share	**0.24 cents**	31 cents	25 cents	25 cents	58 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 2011.

For the year ended 31 December 2011, the Group (including its continuing operations and discontinued operations) achieved a turnover of approximately HK$82.0 million, as compared to that of last year of approximately HK$86.7 million. The loss attributable to equity holders of the Company amounted to approximately HK$19.1 million, as compared to the profit of last year of approximately HK$14.9 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2011.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

For the year ended 31 December 2011, the turnover of the Group's operation in Taiwan decreased to approximately HK$69.6 million as compared to approximately HK$75.7 million last year. It recorded a gross profit of approximately HK$17.1 million as compared to approximately HK$17.9 million last year. Due to the continuing soft demand from customers, the operation in Taiwan recorded a net loss of approximately HK$4.1 million for the current year under review as compared to a net loss of approximately HK$6.5 million for the last year.

The Taiwan operation has been suffering losses for the past three years. The business outlook for the design and distribution of integrated circuits and semiconductor parts in the Taiwan market is overshadowed by the increase in market competition amongst the players in the industry, which has significantly been affecting the demand for its products. As a result, the management decided to dispose the business. An agreement was finally entered into on 2 December 2011 to dispose the whole Taiwan business at a consideration of NT$106,870,500.

The operation in Shanghai recorded a turnover of approximately HK$12.4 million for the year ended 31 December 2011 as compared to approximately HK$11.0 million for the year ended 31 December 2010. The operation in Shanghai recorded a gross profit of approximately HK$8.5 million as compared to approximately HK$7.2 million for the year ended 31 December 2010. The operation recorded a net profit of approximately HK$0.7 million for the current year under review as compared to a net profit of approximately HK$0.3 million for the last year.

Chairman's Statement

Investment holding

As at 31 December 2011, the Company held approximately 0.9 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

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 was 351,734.

During the year, 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 realized gain of approximately HK$2.9 million.

As at 31 December 2011, the closing market price of ChipMOS was US$5.16 as compared to US$6.12 as at 31 December 2010. Consequently, an unrealized loss of approximately HK$8.9 million was recorded due to mark-to-market valuation of the shares held for the year under review.

FUTURE PLANS AND PROSPECTS

The Group intends to apply the net proceeds from the disposal of the Taiwan operation for the expansion of its business operations in Shanghai, investment opportunities which may arise from time to time and as general working capital. We shall continue to focus our efforts on our current main business in the design and distribution of integrated circuit products. We will continue to carry out research and development works to improve our existing products and develop new products in order to strengthen our competitive edge in the long run.

APPRECIATION

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

On behalf of the Board

Yip Chi Hung
Chairman

Hong Kong, 2 March 2012

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the cash and cash equivalents of the Group amounted to approximately HK$44.4 million as compared to approximately HK$32.4 million as at 31 December 2010. As at 31 December 2011, the Group also held short-term bank deposits of approximately HK$1.2 million (2010: approximately HK$34.8 million).

For the year ended 31 December 2011, the Group recorded a net increase in cash and cash equivalents of approximately HK$12 million.

GEARING RATIO

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 18.0% as at 31 December 2011 (2010: approximately 12.0%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2011, the total liabilities of the Group were approximately HK$21.3 million (2010: approximately HK$18.9 million).

FOREIGN CURRENCY EXPOSURE

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

For the year ended 31 December 2011, a net exchange gain of approximately HK$1.2 million (2010: loss of approximately HK$1.8 million) was recognized in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK$2.0 million were debited to exchange reserve (2010: approximately HK$4.3 million credited).

CAPITAL STRUCTURE

The loss attributable to equity holders of the Company for the year ended 31 December 2011 of approximately HK$19.1 million (2010: profit of approximately HK$14.9 million) was transferred to accumulated losses of the Company. There was no change in the capital of the Company for the year under review. As at 31 December 2011, total equity amounted to approximately HK$96.9 million (2010: approximately HK$139.0 million).

INVESTMENTS AND CAPITAL ASSETS

The Company held approximately 0.9 million shares of ChipMOS. The closing market price of ChipMOS was US$5.16 per share as at 31 December 2011. On 1 March 2012, the closing market price of ChipMOS was US$12.41.

Management Discussion and Analysis

As at 31 December 2011, the Group also held shares of Hong Kong listed companies amounted to approximately HK$0.7 million (2010: approximately HK$0.9 million).

On 2 December 2011, the Group entered into an agreement with a purchaser to dispose the Group's entire 55% shareholding held in SyncMOS Technologies International Inc. ("SyncMOS Technologies"), the Group's non wholly owned subsidiary in Taiwan, at a consideration of NT$106,870,500. A shareholders meeting of the Company was held on 10 January 2012 to approve the transaction, and the disposal was finally completed on 16 January 2012. An estimated gain of approximately HK$13 million is expected to be recognized in the consolidated income statement of the Group during the year ending 31 December 2012. In view of the disposal, the assets and liabilities of SyncMOS Technologies have been presented as held for sale in the consolidated financial statements (please refer to Note 15 to the financial statements).

CHARGES ON ASSETS

As at 31 December 2011, SyncMOS Technologies had restricted bank deposits of approximately HK$0.3 million (2010: approximately HK$0.3 million) which were mainly held for the purpose of securing payment of value added tax.

SEGMENT INFORMATION

For the year ended 31 December 2011, approximately 85% of the turnover of the Group was generated from the Group's operation in Taiwan which have been presented as discontinued operation in the consolidated financial statements. The operation in Taiwan recorded a loss of approximately HK$4.1 million (2010: loss of approximately HK$6.5 million), while the operation in Shanghai recorded a profit of approximately HK$0.7 million (2010: approximately HK$0.3 million) and the operation in Hong Kong recorded a loss of approximately HK$17.6 million (2010: a profit of approximately HK$18.2 million).

HUMAN RESOURCES

The headcount of the Group as at 31 December 2011 was approximately 89 (2010: approximately 90).

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

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2011.

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 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2011 are set out in the consolidated income statement on page 31.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and Note 17 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 16 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PRE-EMPTIVE RIGHTS

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

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2011, calculated under the Companies Act 1981 of Bermuda, were HK$nil (2010: HK$nil).

FIVE YEAR FINANCIAL SUMMARY

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

CHARITABLE DONATIONS

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

DIRECTORS

The Directors during the year ended 31 December 2011 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
Dr. Ma Kwai Yuen

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

Report of the Directors

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' and senior management's emoluments are set out in Note 22 to the financial statements.

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

As at 31 December 2011, 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 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 *(note (1))*	145,610,000	43.3%
Vision2000 Venture Ltd. ("Vision2000") *(note (2))*	106,043,142	31.5%

notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its 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 2011, the five largest customers of the Group accounted for approximately 65% of the Group's total turnover while the largest customer of the Group accounted for approximately 34% of the Group's total turnover. In addition, for the year ended 31 December 2011 the five largest suppliers of the Group accounted for approximately 80% of the Group's total purchases while the largest supplier of the Group accounted for approximately 28% 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 29 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. Recharge of rentals of approximately HK$673,000 (2010: HK$386,000) was received and become receivable from Fong Wing Shing Construction Company Limited. Mr. Yip Chi Hung, director of the Company, is in a position to exercise significant influence over this company. The rental was charged under normal commercial terms based on the floor area occupied and was no less than those charged to other third party tenants of the Group.

2. The Group is substantially held by Mosel Vitelic Inc. ("MVI") (a listed company in Taiwan), which owns approximately 32% of the Company's issued shares. The following expenses were paid/payable to MVI and/or its subsidiaries during the year:

	2011 ***HK$'000***	2010 *HK$'000*
Rental expense	**99**	90
Other service fees	**102**	88
	201	178

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.

3. On 2 December 2011, an agreement was entered into between the Company and On-Bright Electronic Incorporated (the "Purchaser") with regard to the disposal of the 55% equity interest of SyncMOS Technologies International, Inc., an indirect non wholly owned subsidiary of the Company at a consideration of NT$106,870,500. As the Purchaser had already owned approximately 24.2% of SyncMOS Technologies as at 2 December 2011, the Purchaser was a substantial shareholder of SyncMOS Technologies, the Purchaser was a connected person to the Company under the Listing Rules.

   A special general meeting of the Company was held on 10 January 2012 to approve the transaction. The transaction was completed on 16 January 2012.

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2011, 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.

Report of the Directors

COMPETING BUSINESS

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

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive directors, namely Mr. Wong Chi Keung (Chairman), Mr. Cheng Hok Ming, Albert and Dr. 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 2011.

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, 2 March 2012

Corporate Governance Report

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

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

CORPORATE GOVERNANCE PRACTICES

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

Code A.4.1

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

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

Code A.4.2

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2011, 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
Dr. Ma Kwai Yuen

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

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

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

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

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

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

The Board convened 5 meetings during the year. The attendance of individual Directors to the Board meetings in 2011 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
— Dr. 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 6 occasions during the year.

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD COMMITTEES

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

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

Corporate Governance Report

1. Audit Committee

The Audit Committee comprises solely independent non-executive directors, namely Mr. Wong Chi Keung (Chairman), Mr. Cheng Hok Ming, Albert and Dr. Ma Kwai Yuen.

The Audit Committee is responsible for the following:

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

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

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

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

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

In 2011, the Audit Committee has reviewed the Group's (i) annual report for the year ended 31 December 2010, (ii) interim report for the 6 months ended 30 June 2011, and (iii) external auditor's engagement letter with recommendation to the Board for approval.

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

	Attendance
Committee members	
— Mr. Wong Chi Keung	4/4
— Mr. Cheng Hok Ming, Albert	4/4
— Dr. Ma Kwai Yuen	3/4

2. Remuneration Committee

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

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

In 2011, the Remuneration Committee has reviewed and recommended to the Board the Directors' remuneration.

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

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

3. Nomination Committee

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

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

In 2011, the Nomination Committee has discharged the duties of nomination committee by disseminating to the Board members the biography of the nomination candidate before the Board meeting held for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business.

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

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

AUDITORS' REMUNERATION

For the year ended 31 December 2011, fees payable for audit and audit-related services to PricewaterhouseCoopers and other auditors were approximately HK$1,394,000 and HK$96,000 respectively.

INTERNAL CONTROL

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

During the year, with the assistance of the management of the Company, the Board has reviewed quarterly the effectiveness of the Group's internal control systems covered financial, operational and compliance controls and risk management functions. No significant deficiencies in internal controls were noted.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. The notice of general meeting is distributed to all shareholders and accompanying circular with details of each proposed resolution and other relevant information as required under the Listing Rules. Poll results of the general meetings are published on the website of the Stock Exchange as well as the Company's website at http://pacmos.etnet.com.hk.

During the year, the Company held an annual general meeting on 24 June 2011. After the year end, the Company held a special general meeting on 10 January 2012 approving the very substantial disposal and connected transaction. All resolutions proposed at the aforementioned general meetings were passed.

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of PacMOS Technologies Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 88, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 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, 2 March 2012

Consolidated Balance Sheet

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,153**	2,053
Intangible assets	7	**—**	426
Long-term deposits	11	**1,138**	1,427
		3,291	3,906
Current assets			
Inventories	9	**2,540**	20,207
Trade and bills receivables	10	**1,435**	9,016
Deposits, prepayments and other receivables	11	**1,133**	3,381
Financial assets at fair value through profit or loss	12	**37,330**	53,818
Restricted cash	13	**—**	275
Short-term bank deposits	14	**—**	34,843
Cash and cash equivalents	14	**29,837**	32,418
		72,275	153,958
Assets of a subsidiary classified as held for sale	15 (a)	**42,609**	—
		114,884	153,958
Total assets		**118,175**	157,864
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	**134,922**	134,922
Other reserves	17	**7,090**	9,081
Accumulated losses		**(59,789)**	(40,714)
		82,223	103,289
Non-controlling interests		**14,669**	35,688
Total equity		**96,892**	138,977

Consolidated Balance Sheet

	Note	2011 HK$'000	2010 HK$'000
		As at 31 December	
LIABILITIES			
Non-current liabilities			
Other payables	*30*	**973**	520
Current liabilities			
Trade payables	*18*	**149**	4,608
Other payables and accruals	*30*	**6,595**	9,947
Amount due to a related party	*29(c)*	**3,555**	3,812
		10,299	18,367
Liabilities of a subsidiary classified as held for sale	*15(b)*	**10,011**	—
		20,310	18,367
Total liabilities		**21,283**	18,887
Total equity and liabilities		**118,175**	157,864
Net current assets		**94,574**	135,591
Total assets less current liabilities		**97,865**	139,497

The consolidated financial statements on pages 28 to 88 were approved by the Board of Directors on 2 March 2012 and were signed on its behalf by

YIP Chi Hung
Director

CHEN Che Yuan
Director

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

Balance Sheet

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**954**	157
Long-term deposits	*11*	**979**	979
Investments in subsidiaries	*8(a)*	**60,879**	59,474
		62,812	60,610
Current assets			
Deposits, prepayments and other receivables	*11*	**309**	2,064
Financial assets at fair value through profit or loss	*12*	**36,663**	52,928
Amount due from a related party	*29(c)*	**3**	3
Cash and cash equivalents	*14*	**3,028**	1,919
		40,003	56,914
Total assets		**102,815**	117,524
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*16*	**134,922**	134,922
Other reserves	*17*	**158,366**	158,366
Accumulated losses		**(205,514)**	(189,644)
Total equity		**87,774**	103,644
LIABILITIES			
Current liabilities			
Other payables and accruals		**4,705**	3,540
Amounts due to subsidiaries	*8(b)*	**10,336**	10,340
Total liabilities		**15,041**	13,880
Total equity and liabilities		**102,815**	117,524
Net current assets		**24,962**	43,034
Total assets less current liabilities		**87,774**	103,644

The financial statements on pages 28 to 88 were approved by the Board of Directors on 2 March 2012 and were signed on its behalf by

YIP Chi Hung
Director

CHEN Che Yuan
Director

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

Consolidated Income Statement

	Note	For the year ended 31 December 2011 HK$'000	2010 HK$'000 Restated (Note 5)
Continuing operations			
Revenue	5	**12,436**	11,031
Cost of sales	20	**(3,962)**	(3,842)
Gross profit		**8,474**	7,189
Distribution costs	20	**(25)**	(30)
General and administrative expenses	20	**(19,625)**	(16,697)
Other income	21	**782**	973
Other (losses)/gains, net	25	**(6,291)**	27,055
(Loss)/profit before income tax		**(16,685)**	18,490
Income tax expense	23	**(144)**	(45)
(Loss)/profit for the year from continuing operations		**(16,829)**	18,445
Discontinued operations			
Loss for the year from discontinued operations	15(d)	**(4,085)**	(6,465)
(Loss)/profit for the year		**(20,914)**	11,980
Attributable to:			
Equity holders of the Company		**(19,075)**	14,890
Non-controlling interests		**(1,839)**	(2,910)
		(20,914)	11,980
		HK cents	*HK cents*
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
— basic and diluted	26		
From continuing operations		**(5.00)**	5.48
From discontinued operations		**(0.67)**	(1.06)
		(5.67)	4.42

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

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
(Loss)/profit for the year	**(20,914)**	11,980
Other comprehensive (loss)/income		
Currency translation differences	**(5,095)**	7,798
Total comprehensive (loss)/income for the year	**(26,009)**	19,778
Total comprehensive (loss)/income for the year attributable to:		
Equity holders of the Company	**(21,066)**	19,245
Non-controlling interests	**(4,943)**	533
Total comprehensive (loss)/income for the year	**(26,009)**	19,778
Total comprehensive (loss)/income attributable to equity holders of the Company arise from:		
Continuing operations	**(15,025)**	18,594
Discontinued operations	**(6,041)**	651
	(21,066)	19,245

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

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							
	Share capital (*Note 16*) *HK$'000*	Exchange reserve (*Note 17*) *HK$'000*	Employee share-based compensation reserve (*Note 17*) *HK$'000*	Statutory reserve (*Note 17*) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2010	134,922	3,144	2,889	1,582	(58,493)	84,044	35,155	119,199
Profit for the year	—	—	—	—	14,890	14,890	(2,910)	11,980
Currency translation differences	—	4,355	—	—	—	4,355	3,443	7,798
Total comprehensive income for the year	—	4,355	—	—	14,890	19,245	533	19,778
Share options expired	—	—	(2,889)	—	2,889	—	—	—
Balance at 31 December 2010	134,922	7,499	—	1,582	(40,714)	103,289	35,688	138,977
Balance at 1 January 2011	134,922	7,499	—	1,582	(40,714)	103,289	35,688	138,977
Loss for the year	—	—	—	—	(19,075)	(19,075)	(1,839)	(20,914)
Currency translation differences	—	(1,991)	—	—	—	(1,991)	(3,104)	(5,095)
Total comprehensive loss for the year	—	(1,991)	—	—	(19,075)	(21,066)	(4,943)	(26,009)
Capital reduction in a subsidiary classified as held for sale (*Note 15*)	—	—	—	—	—	—	(16,076)	(16,076)
Balance at 31 December 2011	134,922	5,508	—	1,582	(59,789)	82,223	14,669	96,892

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

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2011 HK$'000	2010 HK$'000
Cash flow from operating activities			
Cash flow used in operations	27	**(10,469)**	(15,602)
Overseas taxes paid		**(105)**	(45)
Net cash used in operating activities		**(10,574)**	(15,647)
Cash flows from investing activities			
Decrease in short-term bank deposits		**30,471**	14,527
Purchases of property, plant and equipment	6	**(1,529)**	(538)
Purchases of intangible assets	7	**—**	(537)
Purchases of financial assets at fair value through profit or loss		**—**	(12,181)
Proceeds from disposal of financial assets at fair value through profit or loss		**10,746**	8,930
Interest received		**142**	1,274
Net cash generated from investing activities		**39,830**	11,475
Cash flows from financing activities			
Capital reduction made to non-controlling interests		**(16,076)**	—
Net cash used in financing activities		**(16,076)**	—
Net increase/(decrease) in cash and cash equivalents		**13,180**	(4,172)
Cash and cash equivalents at the beginning of the year		**32,418**	30,632
Exchange (loss)/gain on cash and cash equivalents		**(1,204)**	5,958
Cash and cash equivalents at the end of the year		**44,394**	32,418

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

Notes to the Financial Statements

1. GENERAL INFORMATION

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

On 2 December 2011, the Group entered into an agreement with On-Bright Electronics Incorporated to dispose of its entire equity interest in SyncMOS Technologies International Inc. ("SyncMOS Technologies"). The transaction was completed subsequently on 16 January 2012 (Note 15).

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2012.

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"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) 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)*

2.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2011

The Hong Kong Institute of Certified Public Accountants has issued a number of new standards, amendments and interpretations to existing HKFRS which are mandatory for the Group's accounting year commencing on 1 January 2011. These new standards, amendments and interpretations do not have any impact on the Group's financial statements since they are not relevant to the Group's operation.

(b) New and amended standards have been issued but are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted

HKFRS 9, "Financial instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

HKFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

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

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

(b) New and amended standards have been issued but are not yet effective for the financial year beginning 1 January 2011 and have not been early adopted *(Continued)*

HKFRS 12 "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 "Fair value measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

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

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

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) ***Transactions with non-controlling interests***

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

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

2.2 Consolidation *(Continued)*

(c) Disposal of subsidiaries

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.4 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to the consolidated income statement.

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

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

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

2.6 Intangible assets

(a) Trademarks and licences

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

(b) Computer software

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

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

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Subsidiary classified as held for sale

Subsidiary is classified as assets and liabilities held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. For non-financial assets, they are stated at the lower of carrying amount and fair value less costs to sell.

2.9 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.

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

2.9 Financial assets *(Continued)*

(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 and financial assets designated at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. A financial asset designated at fair value through profit or loss are financial instruments which on initial recognition are designated by the company as being at fair value through profit or loss. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

The group's loans and receivables comprise "trade and other receivables", "deposits", "restricted cash", "short-term bank deposits" and "cash and cash equivalents" in the balance sheet (Notes 2.12 and 2.13).

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other gains, net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the group's right to receive payments is established.

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

2.10 Impairment of financial assets

Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.11 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)*

2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposit held at call with banks with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

2.16 Current and deferred income tax *(Continued)*

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2.16 Current and deferred income tax *(Continued)*

(c) Offsetting

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

2.17 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 the balance sheet date is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Pension obligations

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

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

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

2.17 Employee benefits *(Continued)*

(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.

2.18 Revenue recognition

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

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

(a) Sales of goods

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

(b) Interest income

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

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

2.19 Leases (as the lessee for operating leases)

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

2.20 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Market risk

(i) Foreign exchange risk

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign exchange risk (Continued)

For companies with RMB as their functional currency

If US$ has strengthened/ weakened by 10% against the RMB, with all other variables held constant, post-tax profit for the year ended 31 December 2010 would have been approximately HK$20,000 higher or lower, mainly as a result of foreign exchange gains on translation of US$ denominated trade receivables. There were no material exposure to fluctuations in exchange rates between US$ and RMB during the year ended 31 December 2011.

For companies with NTD as their functional currency

If US$ has strengthened/ weakened by 10% against the NTD, with all other variable held constant, post-tax profit for the year ended 31 December 2010 would have been approximately HK$2,920,000 higher or lower, mainly as a result of foreign exchange gains on translation of US$ denominated trade receivables, cash & cash equivalents and trade payables. There were no material exposure to fluctuations in exchange rates between US$ and NTD during the year ended 31 December 2011.

(ii) Interest rate risk

The Group does not have bank borrowings during the year (2010: same). The Group's exposures to changes in interest rates are mainly attributable to its interest bearing bank deposits.

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

The impact on profit or loss of 89 basis-point (2010: 26 basis-point) shift would be a maximum increase/decrease of HK$300,000 for the year ended 31 December 2011 (2010: HK$191,000), mainly as a result of its interest bearing bank deposits.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

***(a) Market risk** (Continued)*

(iii) Price risk

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

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

For the year ended 31 December 2011, assuming the prices of the shares as at year end had increased/decreased by 5% (2010: 5%), the impact on post-tax loss would be approximately HK$1,866,000 lower or higher (2010: the impact on post-tax profit would be approximately HK$2,691,000 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, short-term bank deposits, restricted cash as well as credit exposures to trade receivables and deposits. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group did not have any bank borrowings during the year (2010: same). 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.

Surplus cash held by the operating entities over and above balance required for working capital management are invested in time deposits and marketable securities, choosing instruments with appropriate maturities. As at 31 December 2011, the continuing operations of the Group's held cash and cash equivalents of HK$29,837,000 (2010: HK$32,418,000) that are expected to readily generate cash inflows for managing liquidity risk.

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

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Total *HK$'000*
At 31 December 2011			
Trade payables	149	—	149
Other payables and accruals	6,595	973	7,568
Amount due to a related party	3,555	—	3,555
At 31 December 2010			
Trade payables	4,608	—	4,608
Other payables and accruals	9,947	520	10,467
Amount due to a related party	3,812	—	3,812

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities expressed as a percentage of the total equity and liabilities. As at 31 December 2011, the gearing ratio was approximately 18% (2010: approximately 12%). Management considers a ratio of not more than 30% as optimal.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Financial assets at fair value through profit or loss	**37,330**	**—**	**—**	**37,330**

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There is transfer of financial assets from level 2 to level 1 fair value hierarchy classifications. Please refer to Note 12 for details.

3.4 Major customers and suppliers

The five largest customers of the Group accounted for approximately 65% (2010: 72%) of the Group's total revenue while the largest customer of the Group accounted for approximately 34% (2010: 34%) of the Group's total revenue. In addition, for the year ended 31 December 2011 the five largest suppliers of the Group accounted for approximately 80% (2010: 82%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 28% (2010: 35%) of the Group's total purchases.

The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products. The Group also maintains relationships with a number of accredited suppliers so as to reduce its reliance of any of them.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income taxes

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

(b) Inventory

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the consolidated income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

5. SEGMENT INFORMATION

The Group is principally engaged in the design, distribution and trading of integrated circuits and semi-conductor parts in Taiwan and the People's Republic of China (the "PRC"), and investments holding.

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

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

(ii) design and sales of micro-controller units used in a wide range of electronic products conducted through the Group's subsidiary in Taiwan, namely SyncMOS Technologies International, Inc. ("SyncMOS Technologies"); and

(iii) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group's subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited.

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.

On 2 December 2011, the Group entered into an agreement to dispose of its entire equity interest in SyncMOS Technologies and the results of SyncMOS Technologies have been presented as discontinued operations (Note 15). Comparative figures of the Group's segment information have been restated accordingly.

5. SEGMENT INFORMATION *(Continued)*

	Continuing Operations			Discontinued Operations	
	Hong Kong *HK$'000*	PRC *HK$'000*	Total *HK$'000*	Taiwan *HK$'000*	Total *HK$'000*
For the year ended 31 December 2011					
Revenues from external customers	—	12,436	12,436	69,585	82,021
Operating profit/(loss)	(17,856)	806	(17,050)	(4,386)	(21,436)
Interest income	280	85	365	301	666
Profit/(loss) before income tax	(17,576)	891	(16,685)	(4,085)	(20,770)
Income tax expense	—	(144)	(144)	—	(144)
Profit/(loss) for the year	(17,576)	747	(16,829)	(4,085)	(20,914)
Other gains/(losses) — net, included in results for the year	(6,262)	(29)	(6,291)	1,198	(5,093)
Depreciation and amortisation, included in results for the year	267	187	454	739	1,193
Capital expenditures	1,064	432	1,496	33	1,529
As at 31 December 2011					
Segment assets	64,397	11,169	75,566	42,609	118,175
Segment liabilities	(4,783)	(6,489)	(11,272)	(10,011)	(21,283)

5. SEGMENT INFORMATION *(Continued)*

	Continuing Operations			Discontinued Operations	
	Hong Kong	PRC	Total	Taiwan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2010					
Revenues from external customers	—	11,031	11,031	75,658	86,689
Operating profit/(loss)	17,429	229	17,658	(6,907)	10,751
Interest income	760	72	832	442	1,274
Profit/(loss) before income tax	18,189	301	18,490	(6,465)	12,025
Income tax expense	—	(45)	(45)	—	(45)
Profit/(loss) for the year	18,189	256	18,445	(6,465)	11,980
Other gains/(losses) — net, included in results for the year	27,071	(16)	27,055	(1,892)	25,163
Depreciation and amortisation, included in results for the year	129	157	286	594	880
Capital expenditures	27	147	174	901	1,075
As at 31 December 2010					
Segment assets	59,457	9,942	69,399	88,465	157,864
Segment liabilities	(3,580)	(6,019)	(9,599)	(9,288)	(18,887)

For the year ended 31 December 2011, revenues of approximately HK$28,269,000 (for the year ended 31 December 2010: HK$29,364,000) are derived from a single external customer. These revenues are attributable to the Taiwan segment.

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improve-ments *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Plant and machinery** *HK$'000*	**Total** *HK$'000*
At 1 January 2010				
Cost	1,567	7,945	12,688	22,200
Accumulated depreciation	(1,567)	(6,631)	(11,941)	(20,139)
Net book amount	—	1,314	747	2,061
Year ended 31 December 2010				
Opening net book amount	—	1,314	747	2,061
Additions	—	174	364	538
Depreciation	—	(381)	(291)	(672)
Exchange differences	—	43	83	126
Closing book amount	—	1,150	903	2,053
At 31 December 2010				
Cost	1,567	8,444	14,405	24,416
Accumulated depreciation	(1,567)	(7,294)	(13,502)	(22,363)
Net book amount	—	1,150	903	2,053
Year ended 31 December 2011				
Opening net book amount	—	1,150	903	2,053
Additions	1,077	452	—	1,529
Depreciation	(215)	(270)	(284)	(769)
Exchange differences	1	39	(25)	15
Transferred to a subsidiary classified as held for sale *(Note 15)*	—	(81)	(594)	(675)
Closing book amount	863	1,290	—	2,153
At 31 December 2011				
Cost	1,103	6,643	—	7,746
Accumulated depreciation	(240)	(5,353)	—	(5,593)
Net book amount	863	1,290	—	2,153

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:

	2011 *HK$'000*	2010 *HK$'000*
Cost of sales	**—**	4
Distribution costs	**3**	—
General and administrative expenses	**766**	668
	769	672

Company

	Leasehold improvements *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Total** *HK$'000*
At 1 January 2010			
Cost	1,567	1,636	3,203
Accumulated depreciation	(1,567)	(1,377)	(2,944)
Net book amount	—	259	259
Year ended 31 December 2010			
Opening net book amount	—	259	259
Additions	—	27	27
Depreciation	—	(129)	(129)
Closing net book amount	—	157	157
At 31 December 2010			
Cost	1,567	1,663	3,230
Accumulated depreciation	(1,567)	(1,506)	(3,073)
Net book amount	—	157	157
Year ended 31 December 2011			
Opening net book amount	—	157	157
Additions	1,013	51	1,064
Depreciation	(206)	(61)	(267)
Closing net book amount	807	147	954
At 31 December 2011			
Cost	1,038	1,714	2,752
Accumulated depreciation	(231)	(1,567)	(1,798)
Net book amount	807	147	954

7. INTANGIBLE ASSETS

Group

	Computer software HK$'000	Trademarks and licences HK$'000	Total HK$'000
At 1 January 2010			
Cost	7,705	1,321	9,026
Accumulated amortisation	(7,695)	(1,266)	(8,961)
Net book amount	10	55	65
Year ended 31 December 2010			
Opening net book amount	10	55	65
Additions	49	488	537
Amortisation	(21)	(187)	(208)
Exchange differences	4	28	32
Closing net book amount	42	384	426
At 31 December 2010			
Cost	8,264	1,985	10,249
Accumulated amortisation	(8,222)	(1,601)	(9,823)
Net book amount	42	384	426
Year ended 31 December 2011			
Opening net book amount	42	384	426
Amortisation	(41)	(383)	(424)
Exchange differences	(1)	(1)	(2)
Closing net book amount	—	—	—
At 31 December 2011			
Cost	5,005	—	5,005
Accumulated amortisation	(5,005)	—	(5,005)
Net book amount	—	—	—

7. INTANGIBLE ASSETS *(Continued)*

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

	2011 HK$'000	2010 HK$'000
General and administrative expenses	**412**	201
Distribution costs	**12**	7
	424	208

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

(a) Investments in subsidiaries and amounts due from subsidiaries

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**88,010**	88,010
Less: Provision for impairment	**(77,543)**	(77,543)
	10,467	10,467
Amounts due from subsidiaries	**81,775**	81,766
Less: Provision for impairment	**(31,363)**	(32,759)
	50,412	49,007
	60,879	59,474

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

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

The following is a list of the principal subsidiaries as at 31 December 2011:

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

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

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

Name	Place of incorporation/ establishment and form of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Percentage of equity interest attributable to the Group	
				Directly held	Indirectly held
Shanghai SyncMOS Semiconductor Company Limited	The PRC, wholly foreign owned enterprise	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC	Registered capital of US$7,000,000	—	100%
SyncMos Technologies, Inc. (Cayman Islands)	The Cayman Islands, limited liability company	Inactive	1 ordinary share of 1 US dollar	100%	—
新茂國際科技股份有限公司 * SyncMOS Technologies International, Inc.*	Taiwan, limited liability company	Design, distribution and trading of electronic materials and components and provision of related agency services in Taiwan	17,000,000 ordinary shares of 10 NT dollar each	—	55%

* *Subsidiary classified as held for sale at 31 December 2011.*

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

(Continued)

(b) Amounts due to subsidiaries

	2011	2010
	HK$'000	*HK$'000*
Amounts due to subsidiaries	**(10,336)**	(10,340)
Denominated in:		
— HK$	**(10,336)**	(10,340)

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

9. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**1,059**	5,449
Work in progress	**1,506**	7,750
Finished goods	**2,295**	11,018
	4,860	24,217
Less: provision for inventories	**(2,320)**	(4,010)
Inventories, net	**2,540**	20,207

The cost of inventories recognised as expense and included in cost of sales amounted to HK$3,962,000 (2010 restated: HK$3,842,000).

10. TRADE AND BILLS RECEIVABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**178**	9,016
Bills receivables	**1,257**	—
Less: provision for impairment of receivables	**—**	—
Trade and bills receivables, net	**1,435**	9,016

As at 31 December 2011, trade receivables of HK$77,000 (2010: Nil) were past due but not impaired. The ageing analysis of trade receivables based on due date is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current	**101**	9,016
1 – 30 days	**77**	—
	178	9,016
Denominated in:		
— US$	**—**	7,784
— NTD	**—**	1,232
— RMB	**178**	—
	178	9,016

The carrying values of trade receivables approximate their fair values as at 31 December 2011 (2010: same). The Group's credit terms to trade debtors range from 30 to 60 days.

10. TRADE AND BILLS RECEIVABLES *(Continued)*

As at 31 December 2011, bills receivables of HK$1,257,000 (2010: Nil) will mature as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
1 – 30 days	**62**	—
31 – 90 days	**—**	—
91 – 180 days	**579**	—
Over 180 days	**616**	—
	1,257	—
Denominated in:		
— RMB	**1,257**	—

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

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**1,239**	2,651	**1,007**	2,203
Prepayments	**1,031**	1,295	**281**	597
Other receivables	**1**	862	**—**	243
	2,271	4,808	**1,288**	3,043
Less: non-current portion				
— long-term deposits	**(1,138)**	(1,427)	**(979)**	(979)
Current portion	**1,133**	3,381	**309**	2,064

The carrying values of deposits and other receivables approximate their fair values as at 31 December 2011 (2010: same).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities in				
— The United States of America	**36,663**	34,268	**36,663**	34,268
— Hong Kong	**667**	890	**—**	—
Market value of listed securities	**37,330**	35,158	**36,663**	34,268
Investment in unlisted securities *(Note a)*	**—**	18,660	**—**	18,660
	37,330	53,818	**36,663**	52,928

Financial assets at fair value through profit or loss are presented within "operating activities" as part of changes in working capital in the consolidated cash flow statement (Note 27).

Changes in fair value of the financial assets at fair value through profit or loss are recorded in "other (losses)/gains, net" in the consolidated income statement (Note 25).

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

Note a:

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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Note a: (Continued)

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

During the year ended 31 December 2011, the convertible bonds were converted into the underlying shares, which were recorded in listed securities as included in the table above.

13. RESTRICTED CASH

	Group	
	2011	2010
	HK$'000	*HK$'000*
Restricted cash	—	275
Denominated in:		
— NTD	—	275

As at 31 December 2010, restricted cash represented bank deposits pledged to secure the payment of value added tax as required by the Taiwan Tax Bureau. As at 31 December 2010, the amount carried an effective interest rate of 0.7% per annum. As at 31 December 2011, the amount has been reclassified as held for sale (Note 15).

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank	**29,776**	14,364	**2,970**	1,861
Term deposits with original maturities of three months or less *(Note a)*	**54**	17,901	**54**	54
Cash on hand	**7**	153	**4**	4
Cash and cash equivalents	**29,837**	32,418	**3,028**	1,919
Short-term bank deposits with original maturities over three months *(Note a)*	**—**	34,843	**—**	—
Total	**29,837**	67,261	**3,028**	1,919
Denominated in:				
— HK$	**24,706**	2,371	**2,974**	1,865
— US$	**63**	22,058	**54**	54
— NTD	**—**	36,905	**—**	—
— RMB *(Note b)*	**5,068**	5,927	**—**	—
	29,837	67,261	**3,028**	1,919

Notes:

(a) As at 31 December 2011, the effective interest rate on term deposits was 1.95% (2010: 1.06%).

(b) As at 31 December 2011, funds of the Group denominated in RMB amounting to HK$5,065,000 were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2010: HK$5,897,000).

15. SUBSIDIARY HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities related to SyncMOS Technologies have been presented as held for sale on 2 December 2011, following the Group entering into an agreement with On-Bright Electronics Incorporated to dispose of its entire equity interest in SyncMOS Technologies. The transaction was completed subsequently on 16 January 2012 (the "Disposal").

Prior to the Disposal, SyncMOS Technologies underwent a capital reduction of NTD 150 million (equivalent to approximately HK$35.7 million), which was undertaken on a pro-rated basis amongst all shareholders. Approximately NTD82.5 million (equivalent to approximately HK$19.6 million) and NTD67.5 million (equivalent to approximately HK$16.1 million) was distributed to the Group and the non-controlling interests, respectively.

(a) Assets of a subsidiary classified as held for sale

	2011	2010
	HK$'000	*HK$'000*
Property, plant and equipment *(Note 6)*	**675**	—
Long-term deposits	**270**	—
Inventories	**15,751**	—
Trade receivables	**9,173**	—
Deposits, prepayments and other receivables	**705**	—
Restricted cash	**264**	—
Short-term bank deposits with original maturities over three months	**1,214**	—
Cash and cash equivalents	**14,557**	—
Total	**42,609**	—

(b) Liabilities of a subsidiary classified as held for sale

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**6,092**	—
Other payables and accruals	**3,540**	—
Amounts due to related parties	**379**	—
Total	**10,011**	—

15. SUBSIDIARY HELD FOR SALE AND DISCONTINUED OPERATIONS *(Continued)*

(c) Cumulative income or expense recognised in other comprehensive income relating to a subsidiary classified as held for sale

	2011 *HK$'000*	2010 *HK$'000*
Currency translation differences	**5,437**	12,335
Total	**5,437**	12,335

(d) Analysis of the results of the discontinued operations is as follows:

	2011 *HK$'000*	2010 *HK$'000*
Revenue	**69,585**	75,658
Other income	**681**	558
Other gains/(losses), net	**1,198**	(1,892)
Expenses	**(75,549)**	(80,789)
Loss before income tax from discontinued operations	**(4,085)**	(6,465)
Income tax expense	**—**	—
Loss after tax from discontinued operations	**(4,085)**	(6,465)
Loss for the year from discontinued operations attributable to:		
— Equity holders of the Company	**(2,246)**	(3,555)
— Non-controlling interests	**(1,839)**	(2,910)
Loss for the year from discontinued operations	**(4,085)**	(6,465)

(e) Analysis of cash flows of the discontinued operations is as follows:

	2011 *HK$'000*	2010 *HK$'000*
Operating cash flows	**(1,561)**	(6,533)
Investing cash flows	**30,739**	17,792
Financing cash flows (capital reduction outflow)	**(35,723)**	—
Total cash flows	**(6,545)**	11,259

16. SHARE CAPITAL

	Number of share (thousands)	Ordinary shares *HK$'000*	Share premium *HK$'000*	Total share capital *HK$'000*
At 1 January 2010, 31 December 2010 and 31 December 2011	336,587	33,659	101,263	134,922

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

Stock options

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

Movements in the number of stock options outstanding and their related weighted average exercise prices during the year ended 31 December 2010 are as follows:

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

All options were expired on 1 January 2010 without being exercised.

17. OTHER RESERVES

Group

	Exchange reserve *HK$'000*	Employee share-based compensation reserve *HK$'000*	Statutory reserve *HK$'000* *(Note)*	Total *HK$'000*
At 1 January 2010	3,144	2,889	1,582	7,615
Currency translation differences	4,355	—	—	4,355
Share option expired	—	(2,889)	—	(2,889)
At 31 December 2010	7,499	—	1,582	9,081
Currency translation differences	(1,991)	—	—	(1,991)
At 31 December 2011	5,508	—	1,582	7,090

Note:

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

Company

	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Total *HK$'000*
At 31 December 2010 and 31 December 2011	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.

18. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current	**149**	4,608

The carrying amounts of trade payables approximate their fair values as at 31 December 2011 (2010: same).

19. DEFERRED INCOME TAX

There were no deferred taxation recognised by the Group as at 31 December 2011 and 2010.

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 2011, the Group does not have any unrecognised tax credit (2010: HK$10 million). At 31 December 2011, the Group has tax loss of approximately HK$92 million (2010: HK$90 million). The tax credit and tax losses are subject to the approval of the relevant tax authorities in the respective jurisdictions.

At 31 December 2010, the unrecognised tax credit of HK$10 million is to expire as follows:

	2010
Expiry	*HK$ million*
2011	4
2012	3
2013	3
	10

Unrecognised tax losses of approximately HK$3 million (2010: HK$12 million) is to expire within 5 years while unrecognised tax losses of approximately HK$89 million (2010: HK$78 million) is of no expiration.

20. EXPENSES BY NATURE

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
From continuing operations:		
Cost of inventories sold	**3,962**	3,842
Auditors' remuneration	**1,394**	1,385
Depreciation of property, plant and equipment	**454**	286
Operating lease rentals in respect of properties	**3,858**	2,548
Research and development costs	**702**	246
Marketing costs	**25**	29
Employee benefit expenses *(Note 22)*	**6,815**	6,165
Other expenses	**6,402**	6,068
Total cost of sales, distribution costs and general and administrative expenses	**23,612**	20,569

21. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
From continuing operations:		
Interest income	**365**	832
Dividend income	**33**	129
Sundry income	**384**	12
	782	973

22. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
From continuing operations:		
Wages and salaries	**4,622**	4,153
Provision for bonuses and welfare fund	**1,093**	1,020
Pension costs — defined contribution plan	**40**	32
Directors' emoluments	**1,060**	960
	6,815	6,165

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2011 is set out below:

	2011	2010
	HK$'000	*HK$'000*
Bonuses for Executive Directors		
— Mr. Yip Chi Hung	**500**	500
— Mr. Chen Che Yuan	**200**	100
Fee for Non-executive Directors		
— Mr. Cheung Hok Ming, Albert	**120**	120
— Dr. Ma Kwai Yuen	**120**	120
— Mr. Wong Chi Keung	**120**	120
	1,060	960

None of the Directors waived any emoluments during the year (2010: same).

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

(b) Five highest paid individuals

None of the five highest paid individuals was a Director of the Company (2010: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the five highest paid individuals (2010: five) during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Basic salaries and allowances	**3,638**	3,456
Bonuses	**411**	318
Pension costs — defined contribution plan	**73**	63
	4,122	3,837

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
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.

23. INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
Current income tax		
— Overseas income tax expense	**(144)**	(45)

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

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
(Loss)/profit before income tax	**(16,685)**	18,491
Tax calculated at domestic tax rates applicable to profit in the respective countries	**2,547**	(3,603)
Income not subject to tax	**1,271**	4,726
Expenses not deductible for tax purpose	**(2,137)**	—
Tax losses for which no deferred tax asset was recognised	**(1,825)**	(1,168)
Income tax expense	**(144)**	(45)

Only 50% of the corporate income tax was provided for by Shanghai SyncMOS Semiconductor Company Limited ("Shanghai SyncMOS"), a subsidiary of the Group operating in the PRC. According to the relevant PRC tax regulations, Shanghai SyncMOS was entitled to a two-year tax exemption and three-year 50% tax reduction starting from its first year of profitability. For the year ended 31 December 2011, Shanghai SyncMOS was in its fifth year of the tax preferential treatment and was entitled to a 50% reduction of the 24% (2010: 22%) enterprise income tax rate.

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

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$15,870,000. (2010: net profit of HK$21,316,000).

25. OTHER (LOSSES)/GAINS, NET

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

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
Financial assets at fair value through profit or loss:		
— realised gains	**2,855**	2,001
— unrealised fair value (losses)/gains	**(9,127)**	24,994
Exchange (losses)/gains, net	**(19)**	60
Other (losses)/gains, net	**(6,291)**	27,055

26. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share for the year ended 31 December 2011 is calculated by dividing the consolidated profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
	HK$'000	*HK$'000*
		Restated
		(Note 5)
(Loss)/profit attributable to equity holders of the Company		
— Continuing operations	**(16,829)**	18,445
— Discontinued operations	**(2,246)**	(3,555)
(Loss)/profit attributable to equity holders of the Company	**(19,075)**	14,890
Weighted average number of ordinary shares in issue (thousands)	**336,587**	336,587
	HK cents	*HK cents*
Basic (loss)/earnings per share		
— Continuing operations	**(5.00)**	5.48
— Discontinued operations	**(0.67)**	(1.06)

26. (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted

The Company has no share option schemes. A subsidiary of the Company had employee share options, but these expired on 1 January 2010. For the year ended 31 December 2010, these employee share options did not have a dilutive effect on earnings per share of the Company while they were still outstanding. During the year ended 31 December 2011, the Company did not have any potential dilutive ordinary shares.

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2011 ***HK$'000***	2010 *HK$'000*
(Loss)/profit before income tax	**(20,770)**	12,025
Adjustments for:		
— Interest income	**(666)**	(1,274)
— Amortisation of intangible assets	**424**	208
— Depreciation of property, plant and equipment	**769**	672
— Unrealised fair value loss/(gain) from financial assets at fair value through profit or loss	**9,127**	(24,994)
— Realised gain on disposal of financial assets at fair value through profit or loss	**(2,855)**	(2,001)
— (Reversal of)/provision for inventories	**(554)**	108
	(14,525)	(15,256)
Changes in working capital:		
— Inventories	**1,911**	(2,760)
— Trade and bills receivables	**(1,938)**	1,637
— Deposits, prepayments and other receivables	**1,557**	(1,652)
— Trade payables, other payables and accruals	**2,535**	2,241
— Amount due to a related party	**(9)**	188
Cash used in operating activities	**(10,469)**	(15,602)

Non-cash transactions

The principal non-cash transaction is the conversion of convertible bonds into the underlying shares as discussed in Note 12.

28. OPERATING LEASE COMMITMENTS

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

	2011	2010
	HK\$'000	*HK\$'000*
— Not later than one year	**4,097**	4,269
— Later than one year and not later than five years	**3,465**	7,178
	7,562	11,447

29. RELATED PARTY TRANSACTIONS

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

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

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

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

29. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

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

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

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

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

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

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

29. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2011 HK$'000	2010 HK$'000
Recharge of rentals to Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), an entity with directorships in common	*(i)*	**673**	386
Expense paid/payable to MVI and its group companies			
Rental expense	*(ii)*	**99**	90
Other service fees	*(iii)*	**102**	88
		201	178

Notes:

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

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

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

(b) Key management compensation

	2011 HK$'000	2010 HK$'000
Basic salaries and allowances	**2,050**	1,935
Bonuses	**849**	735
Pension cost — defined contribution plan	**6**	—
	2,905	2,670

29. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due from an associated company of MVI	**—**	—	**3**	3
Amount due to an associated company of MVI	**3,555**	3,812	**—**	—

The amount due to the associated company of MVI was waived in 2009 by the company, which had been dissolved under the laws of the United States. Since the period of actions for debts against a dissolved corporation had not been legally expired as at 31 December 2011, the balance was not written back during the year.

30. OTHER PAYABLES AND ACCRUALS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Accrued staff benefits	**2,471**	4,413
Accrued professional fees	**3,297**	1,396
Advances from customers	**964**	801
Others	**836**	3,857
	7,568	10,467
Less: non-current portion — other payables	**(973)**	(520)
Current portion	**6,595**	9,947

31. FINANCIAL INSTRUMENTS BY CATEGORY — GROUP

	Loans and receivables *HK$'000*	Financial assets at fair value through profit or loss *HK$'000*	Total *HK$'000*
At 31 December 2011			
Long-term deposits	1,138	—	1,138
Trade and bills receivables *(Note 10)*	1,435	—	1,435
Deposits and other receivable *(Note 11)*	102	—	102
Financial assets at fair value through profit or loss *(Note 12)*	—	37,330	37,330
Cash and cash equivalents *(Note 14)*	29,837	—	29,837
Total	32,512	37,330	69,842
At 31 December 2010			
Long-term deposits	1,427	—	1,427
Trade and bills receivables *(Note 10)*	9,016	—	9,016
Deposits and other receivable *(Note 11)*	2,086	—	2,086
Financial assets at fair value through profit or loss *(Note 12)*	—	53,818	53,818
Restricted cash *(Note 13)*	275	—	275
Short-term bank deposits *(Note 14)*	34,843	—	34,843
Cash and cash equivalents *(Note 14)*	32,418	—	32,418
Total	80,065	53,818	133,883

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

	Other financial liabilities
	HK$'000
At 31 December 2011	
Trade payables	149
Other payables and accruals	7,568
Amount due to a related party *(Note 29)*	3,555
Total	11,272
At 31 December 2010	
Trade payables	4,608
Other payables and accruals	10,467
Amount due to a related party *(Note 29)*	3,812
Total	18,887

32. EVENT AFTER REPORTING PERIOD

On 16 January 2012, the Group completed the disposal of its entire interest in SyncMOS Technologies. After the completion, SyncMOS Technologies ceased to be a subsidiary of the Group. An estimated gain of approximately HK$13 million is expected to be recognised in the consolidated income statement of the Group during the year ending 31 December 2012.