PacMOS

PacMOS Technologies Holdings Limited

(Stock Code : 1010)

2014

Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Chow-Chun *(Chairman)*
Mr. Lee Chao-Chun *(Chief Executive Officer)*
Mr. Sun Tao-Heng
Mr. Yuan Chun-Tang

Independent Non-executive Directors

Mr. Li Kwan In
Mr. Suen Sai Wah Simon
Mr. Wang Chiang-Ming

BOARD COMMITTEES

Audit Committee

Mr. Suen Sai Wah Simon *(Chairman)*
Mr. Li Kwan In
Mr. Wang Chiang-Ming

Remuneration Committee

Mr. Suen Sai Wah Simon *(Chairman)*
Mr. Wang Chiang-Ming

Nomination Committee

Mr. Suen Sai Wah Simon *(Chairman)*
Mr. Wang Chiang-Ming

COMPANY SECRETARY

Ms. Yuen Wing Yan, Winnie (FCIS, FSC)

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 PLACE OF BUSINESS IN HONG KONG

15th Floor, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
(formerly known as Butterfield Fulcrum Group (Bermuda) Limited)
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

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

Directors and Senior Management Biographies

EXECUTIVE DIRECTORS

Mr. Cheng Chow-Chun ("Mr. Cheng"), aged 56, has been appointed as an executive director and elected as Chairman of the Company since 27 November 2014. He is the vice chairman of Pacific Electric Wire & Cable Co., Ltd. ("PEWC") and the chairman of Asia Pacific Wire & Cable Corporation Limited ("APWC") (US NASDAQ listed company stock code: APWC), which is under the PEWC group. He had been a director of Allis Electric Co., Ltd. (Taiwan listed company stock code: 1514) since 1987. By 1996, his position was changed to supervisor, and he held the position until June 2009.

Mr. Cheng is a shareholder of PEWC, and is currently also a director of Full Global International Limited ("Full Global"), Developer Global Limited ("Developer Global"), Dragon Conqueror Limited ("Dragon Conqueror") and PEWC, all being major shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. Cheng holds a bachelor's degree in business administration from the University of Southern California, United States of America.

Mr. Lee Chao-Chun ("Mr. Lee"), aged 63, has been appointed as an executive director and elected as Chief Executive Officer of the Company since 27 November 2014. He is a member of the board of directors and the chief executive officer of PEWC.

Mr. Lee is a shareholder of PEWC, and is currently also a director of Full Global, Developer Global, Dragon Conqueror and PEWC, all being major shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Lee holds a bachelor's degree from the Boston University, United States of America.

Mr. Sun Tao-Heng ("Mr. Sun"), aged 61, has been appointed as an executive director of the Company since 27 November 2014. He is the president of PEWC, and has held the position since December 2003. Mr. Sun had been a director of Charoong Thai Wire & Cable Public Company Limited (Thailand listed company stock code: CTW), which is under the PEWC group, since June 1993 and by November 1994, he has been promoted to the position of managing director, a position which he still holds at present.

Mr. Sun is a shareholder of PEWC, and is currently also a director of Full Global, Developer Global, Dragon Conqueror and PEWC, all being major shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Sun holds a master's degree in business administration from the University of Southern California, United States of America.

Mr. Yuan Chun-Tang ("Mr. Yuan"), aged 54, has been appointed as an executive director of the Company since 27 November 2014. He has been elected as chairman of PEWC since February 2004, and is also the chairman of Tai Ho Investment Co., Ltd. which is wholly-owned by the PEWC group, chairman of Yu Chi Investment Co., Ltd. which is owned by the PEWC group, and chairman of Yang-Yi Investment Co., Ltd. which is owned by the PEWC group. Mr. Yuan is a member of the board of directors of APWC, and is also the chief executive officer of APWC.

Mr. Yuan is a shareholder of PEWC, and is currently also a director of Full Global, Developer Global, Dragon Conqueror and PEWC, all being major shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Yuan holds a master's degree in electrical engineering from the University of Waterloo, Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Suen Sai Wah Simon ("Mr. Suen"), aged 55, has been appointed as an independent non-executive director of the Company since 27 November 2014. Mr. Suen was appointed as chairman of the Company's audit committee, remuneration committee and nomination committee on 7 January 2015. He is an experienced and well proven chief executive officer in the financial as well as the travel industry in Thailand.

Mr. Suen has been the independent director of Charoong Thai Wire & Cable Public Company Ltd, Bangna, Thailand since August 2009, and the director of Delta Holiday Company Limited, Bangkok, Thailand since June 1997.

Mr. Suen holds a master's degree in business administration from the Chaminade University of Honolulu, United States of America.

Mr. Li Kwan In ("Mr. Li"), aged 63, has been appointed as an independent non-executive director and member of audit committee of the Company since 27 November 2014. He is an associate member of the Institute of Chartered Accountants of British Columbia Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Li has over 20 years of experience in accounting & auditing, finance and taxation in Hong Kong and Canada. Since March 2009, Mr. Li is a director of Chengdu Zhongtie Erju Yongjingtang Printing Company Limited Company in Sichuan Province, the People's Republic of China.

Mr. Li holds a bachelor of commerce degree from Concordia University in Montreal, Canada.

Mr. Wang Chiang-Ming ("Mr. Wang"), aged 55, has been appointed as an independent non-executive director of the Company since 7 January 2015. He was appointed as member of the Company's audit committee, remuneration committee and nomination committee at the same time. Between 1984 and 1987, Mr. Wang worked in the scope of deposit, foreign exchange, credit, etc., in City Bank of Taipei in Taipei City. Between 1988 and 2001, he was the finance department head, manager and assistant manager of Tuntex Distinct Corp., a Taiwan listed company (Taiwan listed company stock code: 1462). He was the managing director of China's Xianglu Petrochemicals Co., Ltd. from 2002 to 2007, the general manager of head office of Xiang Lu Dragon Group from 2007 to 2008, and the chairman of China's Xianglu Petrochemicals Co., Ltd. and its subsidiaries from 2008 to 2014.

Mr. Wang graduated from the Institute of National Chengchi University, Taiwan, in Finance and Taxation in 1982.

Financial Summary

RESULTS

	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations:					
Turnover	**13,646**	12,218	10,916	12,436	11,031
Profit/(loss) before income tax	**17,268**	46,015	38,588	(16,685)	18,490
Income tax credit/ (expense)	**—**	—	28	(144)	(45)
Profit/(loss) for the year from continuing operations	**17,268**	46,015	38,616	(16,829)	18,445
Discontinued operations:					
Loss for the year from discontinued operations	**—**	—	(1,087)	(4,085)	(6,465)
Gain on disposal of a subsidiary	**—**	—	14,134	—	—
Profit/(loss) for the year	**17,268**	46,015	51,663	(20,914)	11,980
Attributable to:					
Equity holders of the Company	**17,268**	46,015	52,152	(19,075)	14,890
Non-controlling interests	**—**	—	(489)	(1,839)	(2,910)
	17,268	46,015	51,663	(20,914)	11,980

Financial Summary

COMBINED ASSETS AND LIABILITIES

	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*	31 December 2011 *HK$'000*	31 December 2010 *HK$'000*
Non-current assets	**3,294**	3,454	2,084	3,291	3,906
Net current assets	**190,240**	173,208	128,566	94,574	135,591
Total assets less current liabilities	**193,534**	176,662	130,650	97,865	139,497
Non-current liabilities	**(269)**	(522)	(714)	(973)	(520)
Net assets	**193,265**	176,140	129,936	96,892	138,977
Shareholders' equity					
Share capital	**134,922**	134,922	134,922	134,922	134,922
Reserves	**58,343**	41,218	(4,986)	(52,699)	(31,633)
Non-controlling interest	**—**	—	—	14,669	35,688
	193,265	176,140	129,936	96,892	138,977

OTHER DATA

(in HK cents)

Basic & diluted earnings/(loss) per share					
— Continuing operations	**5.13 cents**	13.67 cents	11.47 cents	(5.00 cents)	5.48 cents
— Discontinued operations	**—**	—	4.02 cents	(0.67 cents)	(1.06 cents)
Shareholders' equity per share (excluding non-controlling interest)	**57.42 cents**	52.33 cents	38.60 cents	24.43 cents	30.69 cents

Chairman's Statement

RESULTS

The Board is pleased to report the results of the Group for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013.

For the year ended 31 December 2014, the Group achieved a turnover of approximately HK$13.6 million, as compared to that of last year of approximately HK$12.2 million. The profit attributable to equity holders of the Company amounted to approximately HK$17.3 million, as compared to the profit of last year of approximately HK$46.0 million.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: nil).

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

In 2014, our operation in Shanghai recorded a turnover of approximately HK$13.6 million for the year ended 31 December 2014 as compared to approximately HK$12.2 million for the year ended 31 December 2013. The gross profit margin of our operation in Shanghai was similar to 2013 at approximately 66%. The operation in Shanghai recorded a net profit of approximately HK$1,542,000 (2013: HK$4,197,000 which was mainly due to a one-time gain of HK$3.6 million from the waiver of a debt by an investee company of Mosel Vitelic Inc.).

Whilst economic developments in China continue to slowdown, business growth has become increasingly challenging for our operation. Despite the difficult business climate, our management team in Shanghai recorded a respectable revenue growth of 11.7% in 2014. Nevertheless, the two main issues of our Shanghai operation are: scalability and diversification. We shall carry on our effort to improve the existing products over our competitors both in terms of performance as well as price. Meanwhile, we are diligently diversifying into other product lines in order to diversify our revenue source.

Investment holding

As at 31 December 2014, the Group held approximately 729,919 shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"), a company listed on the NASDAQ. ChipMOS is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

Chairman's Statement

On 12 August 2014, ChipMOS had declared an annual cash dividend of US$0.14 per common share payable on 30 October 2014 to all shareholders of record at the close of business on 16 October 2014. The Company received approximately US$102,000 (approximately HK$792,000) cash dividend in total.

As at 31 December 2014, the quoted market price of ChipMOS was approximately US$23.32 per share, as compared to approximately US$19.24 per share as at 31 December 2013. Consequently, an unrealized gain of approximately HK$23.1 million was recorded due to mark-to-market valuation of the shares held for the year under review.

The quoted market price of ChipMOS as at 10 March 2015 was approximately US$22.68.

FUTURE PLANS AND PROSPECTS

Given the current management and members of the Board were all appointed on or after 27 November 2014, we are currently undertaking an extensive review into the business operation and financial affairs of the Group. We will continue to enhance our existing business in the design and trading of integrated circuit products in China. In addition, we are evaluating several other business options to diversify and increase our top-line growth with the aim of improving the Group's value in order to benefit our shareholders.

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

Cheng Chow-Chun
Chairman

Hong Kong, 11 March 2015

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the cash and cash equivalents of the Group amounted to approximately HK$53.3 million as compared to approximately HK$59.5 million as at 31 December 2013, which included short-term bank deposits of approximately HK$1.5 million. (2013: HK$36.0 million).

For the year ended 31 December 2014, the Group recorded a net decrease in cash and cash equivalents of approximately HK$6.2 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 1.8% as at 31 December 2014 (2013: approximately 2.3%). The Group did not have any bank financing during the year, and no interest cost was incurred. As at 31 December 2014, the total liabilities of the Group were approximately HK$3.5 million (2013: approximately HK$4.1 million).

FOREIGN CURRENCY EXPOSURE

The Group's results were exposed to exchange fluctuations of Renminbi as the Group had overseas operations in the PRC. The Group's result is mainly exposed to exchange fluctuations of the Renminbi.

In 2014, a net exchange loss of approximately HK$33,000 (2013: loss of approximately HK$8,000) was recognised in the consolidated income statement. Exchange differences, arising upon translation of overseas operations, amounted to approximately HK$143,000 was debited to the exchange reserve (2013: credit of approximately HK$189,000).

CAPITAL STRUCTURE

The profit attributable to shareholders of the Company for the year ended 31 December 2014 of approximately HK$17.3 million was transferred to accumulated profits of the Group. There was no change in the capital of the Company in 2014. As at 31 December 2014, the shareholders' fund amounted to approximately HK$193.3 million (2013: approximately HK$176.1 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK$1.0 million for the year ended 31 December 2014 (2013: approximately HK$1.5 million).

As at 31 December 2014, the Company held approximately 729,919 shares of ChipMOS and its quoted market price was US$23.32 per share. On 10 March 2015, the quoted market price of ChipMOS was US$22.68 per share.

As at 31 December 2014, the Group also held shares of a Hong Kong listed company amounted to approximately HK$0.9 million (2013: approximately HK$1.0 million).

CHARGES ON ASSETS

As at 31 December 2014, the Group had no restricted bank deposits.

SEGMENT INFORMATION

In 2014, the Hong Kong and PRC segments contributed mainly to the Group's business operation.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2014, the Group had approximately 32 employees (2013: approximately 35 employees).

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 2014.

Report of the Directors

The Board (the "Board") of directors (the "Directors") of PacMOS Technologies Holdings Limited 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 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is the design and distribution of integrated circuits and semi-conductor parts in the People's Republic of China and investments holding. The activities of its subsidiaries are set out in note 8 to the Consolidated Financial Statements of this Annual Report.

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the Consolidated Financial Statements of this Annual Report.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2014 are set out in the Consolidated Income Statement on page 39 of this Annual Report.

The Board does not recommend the payment of dividend for the year ended 31 December 2014.

RESERVES

Details of the 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 41 and note 15 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 14 to the Consolidated Financial Statements of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 6 to the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2014, no reserves are available for distribution to shareholders by the Company as calculated in accordance with the Companies Act 1981 of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

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

CHARITABLE DONATIONS

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

DIRECTORS

The Directors as at the date of this Annual Report are:

Executive Directors:

Mr. Cheng Chow-Chun (appointed on 27 November 2014)
Mr. Lee Chao-Chun (appointed on 27 November 2014)
Mr. Sun Tao-Heng (appointed on 27 November 2014)
Mr. Yuan Chun-Tang (appointed on 27 November 2014)

Independent Non-executive Directors:

Mr. Li Kwan In (appointed on 27 November 2014)
Mr. Suen Sai Wah Simon (appointed on 27 November 2014)
Mr. Wang Chiang-Ming (appointed on 7 January 2015)

Report of the Directors

During the year ended 31 December 2014 and up to the date of this Annual Report, the following changes were also recorded:

(i) Mr. Yip Chi Hung was not re-elected at the annual general meeting held on 30 June 2014; re-appointed by the Board on 30 June 2014, and resigned on 27 November 2014.
(ii) Mr. Chen Che Yuan resigned on 27 November 2014.
(iii) Mr. Wong Chi Keung was not re-elected at the annual general meeting held on 30 June 2014.
(iv) Mr. Cheng Hok Ming, Albert resigned on 27 November 2014.
(v) Dr. Ma Kwai Yuen resigned on 27 November 2014.
(vi) Mr. Maa Kwo-Juh was appointed on 27 November 2014 and resigned on 7 January 2015.

In accordance with Bye-law 99, Mr. Lee Chao-Chun and Mr. Sun Tao-Heng will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Pursuant to Bye-law 102(B), Mr. Wang Chiang-Ming who was appointed by the directors to fill a casual vacancy, will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each independent non-executive Director, 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 independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

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 OF THE COMPANY

Biographical details of the Directors and senior management of the Company are set out on pages 3 and 4 of this Annual Report.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the emoluments of the Directors and senior management of the Company are set out in note 20 to the Consolidated Financial Statements of this Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, 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 Part XV of the SFO as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise 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' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the interest and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the directors and chief executive of the Company) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

		Number of ordinary shares / Percentage of total issued share capital as at 31 December 2014 *(Note 1)*						
Name of Shareholders	**Capacity**	**Long positions**	**%**	**Short positions**	**%**	**Lending pool**	**%**	*Note*
Full Global International Limited	Beneficial Owner	145,609,999	43.3%	–	–	–	–	*(2)*
Pacific Electric Wire & Cable Co., Ltd	Interest of Controlled Corporation	145,609,999	43.3%	–	–	–	–	*(2)*
Vision2000 Venture Ltd.	Beneficial Owner	106,043,142	31.5%	–	–	–	–	*(3)*
Mosel Vitelic Inc.	Interest of Controlled Corporation	106,043,142	31.5%	–	–	–	–	*(3)*

Notes:

(1) Based on 336,587,142 ordinary shares of the Company in issue as at 31 December 2014.

(2) The 145,609,999 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Full Global International Limited on 31 May 2012, Full Global International Limited is the controlled corporation of Pacific Electric Wire & Cable Co., Ltd and accordingly, Pacific Electric Wire & Cable Co., Ltd is deemed to be interested in the 145,609,999 shares of the Company held by Full Global International Limited.

(3) The 106,043,142 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Mosel Vitelic Inc. on 27 June 1997, Vision2000 Venture Ltd. is the controlled corporation of Mosel Vitelic Inc. and accordingly, Mosel Vitelic Inc. is deemed to be interested in the 106,043,142 shares of the Company held by Vision2000 Venture Ltd.

Save for those disclosed above, as at 31 December 2014, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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 arrangement 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 contract 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 had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

MANAGEMENT CONTRACTS

No contracts, other than a contract of services with any Director or any person engaged in the full-time employment of the Company, 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 2014, the five largest customers of the Group accounted for approximately 73% of the Group's total turnover while the largest customer of the Group accounted for approximately 39% of the Group's total turnover. In addition, for the year ended 31 December 2014, the five largest suppliers of the Group accounted for approximately 99% of the Group's total purchases while the largest supplier of the Group accounted for approximately 52% of the Group's total purchases.

None of the Directors, or any of their close associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers and suppliers noted above for the year ended 31 December 2014.

MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, the Group entered into the following transactions with "related party" as defined under the applicable accounting standards. None of those transactions constitutes a discloseable "connected transaction" or "continuing connected transaction" as defined under the Listing Rules. Details of the material related party transactions are disclosed in note 27 to the Consolidated Financial Statements of this Annual Report.

	Note	**2014** *HK$'000*	2013 *HK$'000*
Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), an entity with directorships in common			
Recharge of rentals	*(i)*	—	167
Reimbursement	*(ii)*	—	25
Other income	*(iii)*	—	2

Notes:

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

(ii) The reimbursement was received from Fong Wing Shing for sharing printing service.

(iii) The other income was charged to Fong Wing Shing based on the printing usage.

CORPORATE GOVERNANCE PRACTICES

The Board confirms that the Company has adopted and complied with all code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2014 except for the deviation from Code Provision A.4.1. Details of such deviation are disclosed in the Corporate Governance Report on pages 19 to 32 in this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted 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 for the year ended 31 December 2014, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the employees of the Group is reviewed regularly by the Board. Remuneration packages are structured to take into account the merit, qualifications and competence of individual employees as well as the general market conditions.

The emoluments of Directors are recommended by the remuneration committee and 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 this Annual Report.

COMPETING BUSINESS

None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

AUDIT COMMITTEE

The audit committee of the Company comprises solely independent non-executive directors, namely Mr. Suen Sai Wah Simon (Chairman), Mr. Li Kwan In and Mr. Wang Chiang-Ming. The Group's annual results for the year ended 31 December 2014 have been reviewed by the audit committee of the Company.

During the year ended 31 December 2014, owing to the non-re-election of Mr. Wong Chi Keung as an independent non-executive Director (and chairman of the audit committee) at the annual general meeting held on 30 June 2014, the Company had a vacancy in the audit committee since 30 June 2014. At the special general meeting held on 27 November 2014, the appointment of new directors were made and the audit committee has met the requirement for having 3 members.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the conclusion of the forthcoming annual general meeting of the Company.

On behalf of the Board

Cheng Chow-Chun
Chairman

Hong Kong, 11 March 2015

Corporate Governance Report

PacMOS Technologies Holdings Limited (the "Company") and its subsidiaries (the "Group") recognizes the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability.

The Board of the Directors of the Company 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 2014, the Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and complied with the code provisions contained therein except for the following deviation:

Code Provision A.4.1

This code provision stipulates that non-executive Directors should be appointed for a specific term and subject to re-election.

The independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation at least once every three years 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. Every Director should be subject to retirement by rotation at least once every three years.

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 2014, and they have all confirmed their respective full compliance with the required standards as set out in the Model Code.

Corporate Governance Report

THE BOARD

During the year 2014, there were changes in the composition of Board members. As at 31 December 2014, the Board comprises 7 Directors, of which 4 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 (except during the period from 30 June 2014 to 27 November 2014). Further, all the independent non-executive Directors possess appropriate professional accounting qualifications and/or financial management expertise. As of the date of this Annual Report, the members of the Board are as follows:

Executive Directors

Mr. Cheng Chow-Chun
Mr. Lee Chao-Chun
Mr. Sun Tao-Heng
Mr. Yuan Chun-Tang

Independent Non-executive Directors

Mr. Li Kwan In
Mr. Suen Sai Wah Simon
Mr. Wang Chiang-Ming

The biographical details of the Directors are contained in the section headed "Directors and Senior Management Biographies". Details on the changes of Directors for the year ended 31 December 2014 are contained in the Report of the Directors.

Each of the Directors (except for the new Directors appointed on or after 27 November 2014) has entered into an appointment agreement with the Company. There is no fixed term or proposed length of service for each of the Directors (including the independent non-executive Directors) except that the appointment is subject to the requirements under the Listing Rules, the Bye-laws and any other applicable laws and regulations, and the appointment can be terminated by either party by giving the other party three months' written notice in advance.

Corporate Governance Report

As at the annual general meeting of the Company held on 30 June 2014, Mr. Wong Chi Keung, who was the independent non-executive director and also the chairman of the Audit Committee of the Company having the appropriate professional qualifications or accounting or related financial management expertise (the "Relevant Financial Experience") was not re-elected as independent non-executive director of the Company. Under Rules 3.10 (1) and (2) and 3.21 of the Listing Rules, the Company must have at least three independent non-executive Directors, one of whom must have the Relevant Financial Experience, and the Audit Committee of the Company must have at least three members, and one of whom must have the Relevant Financial Experience (the "Requirements"). With the non re-election of Mr. Wong Chi Keung at the said annual general meeting, the Company was not able to fulfil the Requirements. In this connection, the Company informed the Stock Exchange and published an announcement on 3 July 2014 making a full disclosure on the above non-compliance of the Requirements. The new management of the Company had taken active steps to appoint a suitable candidate to fill up such independent non-executive Director vacancy and finally on 27 November 2014, Mr. Maa Kwo-Juh (who has the Relevant Financial Experience), Mr. Suen Sai Wah Simon and Mr. Li Kwan In were appointed as independent non-executive Directors while Mr. Cheng Hok Ming, Albert and Dr. Ma Kwai Yuen resigned as independent non-executive Directors, The composition of the three new independent non-executive Directors comply with the Requirements accordingly.

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 interest of the Group. The main responsibilities of the management of the Company is to manage, operate and co-ordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between Board members and in particular, between the Chairman and the Chief Executive Officer.

During the year 2014, eight Board Meetings were convened by the Company.

The attendance of the Directors at the Board meetings and general meetings of the Company during their respective appointment for the year ended 31 December 2014 is summarised below.

	Number of Meetings attended/held	
	Board meetings	**General meetings**
Executive Directors		
— Mr. Yip Chi Hung (not re-elected by shareholders on 30 June 2014, appointed on 30 June 2014 and resigned on 27 November 2014)	6/8	2/2
— Mr. Chen Che Yuan (resigned on 27 November 2014)	8/8	2/2
— Mr. Cheng Chow-Chun *(Chairman)* (appointed on 27 November 2014)	5/5	—
— Mr. Lee Chao-Chun *(Chief Executive Officer)* (appointed on 27 November 2014)	5/5	—
— Mr. Sun Tao-Heng (appointed on 27 November 2014)	2/5	—
— Mr. Yuan Chun-Tang (appointed on 27 November 2014)	2/5	—
Independent Non-executive Directors		
— Mr. Wong Chi Keung (not re-elected by shareholders on 30 June 2014)	3/3	1/2
— Mr. Cheng Hok Ming, Albert (resigned on 27 November 2014)	8/8	2/2
— Dr. Ma Kwai Yuen (resigned on 27 November 2014)	8/8	2/2
— Mr. Maa Kwo-Juh (appointed on 27 November 2014 and resigned on 7 January 2015)	2/5	—
— Mr. Li Kwan In (appointed on 27 November 2014)	2/5	—
— Mr. Suen Sai Wah Simon (appointed on 27 November 2014)	2/5	—

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.

The agenda accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. 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.

Between Board meetings, the management provides to Directors from time to time updates and other information on the Group's business, operations and financial matters.

Directors are entitled to have access to Board papers and related materials and access to the advice and services of the Company Secretary. Directors have the liberty to seek independent professional advice, if so required, at the Company's expenses as arranged by the Company Secretary and they are at liberty to propose appropriate matters for inclusion in Board agendas.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and 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 responsible for the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers, the SFO and the 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 inside information and ensures that the standards and disclosures required by the Listing Rules and the Securities and Futures Ordinance are observed.

The Company has maintained liability insurance for Directors and senior management officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

DIRECTORS' TRAINING

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide each newly appointed director a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the Company's constitutional documents and guides on directors' duties to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary continuously provides relevant reading materials to Directors with regard to regulatory and governance developments as well as organizes in-house training programme to refresh their knowledge and skills on the roles, functions and duties of a listed company directors. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year 2014, the Directors participated in the following trainings to develop and refresh their knowledge and skills:

	Types of training *(Notes)*
Executive Directors	
— Mr. Yip Chi Hung (not re-elected by shareholders on 30 June 2014, appointed on 30 June 2014 and resigned on 27 November 2014)	A/B
— Mr. Chen Che Yuan (resigned on 27 November 2014)	A/B
— Mr. Cheng Chow-Chun *(Chairman)* (appointed on 27 November 2014)	A/B
— Mr. Lee Chao-Chun *(Chief Executive Officer)* (appointed on 27 November 2014)	A/B
— Mr. Sun Tao-Heng (appointed on 27 November 2014)	A/B
— Mr. Yuan Chun-Tang (appointed on 27 November 2014)	A/B
Independent Non-executive Directors	
— Mr. Wong Chi Keung (not re-elected by shareholders on 30 June 2014)	A/B
— Mr. Cheng Hok Ming, Albert (resigned on 27 November 2014)	A/B
— Dr. Ma Kwai Yuen (resigned on 27 November 2014)	A/B
— Mr. Maa Kwo-Juh (appointed on 27 November 2014 and resigned on 7 January 2015)	A/B
— Mr. Li Kwan In (appointed on 27 November 2014)	A/B
— Mr. Suen Sai Wah Simon (appointed on 27 November 2014)	A/B

Notes:

A: attending seminars and/or programmes and/or conferences

B: reading materials relating to the economy, general business or regulatory updates etc.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements for the year ended 31 December 2014 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 Mr. Cheng Chow-Chun and Mr. Lee Chao-Chun respectively. The Chairman bears primary responsibility for the work 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 has established three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to assist the Board in discharging 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 recommendation to the Board. These written terms of reference are available for access at the principal place of business of the Company in Hong Kong and each of the committee members was furnished with a copy of the respective terms of reference.

The written terms of reference of the Board Committees are also available on the websites of the Company (http://pacmos.etnet.com.hk) and the Stock Exchange.

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

1. Audit Committee

The Audit Committee comprises solely of independent non-executive Directors. As at 31 December 2014, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Maa Kwo-Juh (Chairman), Mr. Suen Sai Wah Simon and Mr. Li Kwan In.

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 twice a year to discuss any areas of concern during the audits.

During the year 2014, the Audit Committee has reviewed (i) the annual report of the Group for the year ended 31 December 2013, (ii) the interim report of the Group for the 6 months ended 30 June 2014, and (iii) the external auditor's engagement letter with recommendation to the Board for approval.

During the year 2014, meetings were held with the management and/or the external auditors. Members of the Audit Committee and their respective attendance at committee meetings held during their term of office are listed below:

	Number of Audit Committee Meetings attended/held
Committee members	
— Mr. Wong Chi Keung (ceased on 30 June 2014 as chairman)	2/2
— Mr. Cheng Hok Ming, Albert (resigned on 27 November 2014)	4/4
— Dr. Ma Kwai Yuen (resigned on 27 November 2014)	4/4
— Mr. Maa Kwo-Juh (appointed on 27 November 2014 as chairman)	1/1
— Mr. Li Kwan In (appointed on 27 November 2014)	1/1
— Mr. Suen Sai Wah Simon (appointed on 27 November 2014)	1/1

2. Remuneration Committee

The Remuneration Committee comprises solely of independent non-executive Directors. As at 31 December 2014, the Remuneration Committee consists of two independent non-executive Directors, namely, Mr. Maa Kwo-Juh (Chairman) and Mr. Suen Sai Wah Simon. Its primary responsibilities include recommending, reviewing and determining the remuneration policy and packages of directors and senior management. Directors do not participate in the determination of their own remuneration.

During the year 2014, the Remuneration Committee has reviewed and recommended to the Board the Directors' remuneration. In making recommendations on the Directors' remuneration, the Remuneration Committee considered a number of factors including time commitment, responsibilities, qualification and the prevailing market rate. Further information, please refer to heading "Communication with shareholders" of this corporate governance report.

During the year 2014, one meeting was held on 26 May 2014. Members of the Remuneration Committee and their respective attendance at the committee meeting during their term of office are listed below:

	Number of Remuneration Committee Meetings attended/held
Committee members	
— Mr. Wong Chi Keung (ceased on 30 June 2014 as chairman)	1/1
— Mr. Cheng Hok Ming, Albert (resigned on 27 November 2014)	1/1
— Dr. Ma Kwai Yuen (resigned on 27 November 2014)	1/1
— Mr. Yip Chi Hung (ceased on 30 June 2014)	1/1
— Mr. Maa Kwo-Juh (appointed on 27 November 2014 as chairman)	—
— Mr. Suen Sai Wah Simon (appointed on 27 November 2014)	—

3. Nomination Committee

The Nomination Committee comprises solely of independent non-executive Directors. As at 31 December 2014, the Nomination Committee consists of two independent non-executive Directors, namely, Mr. Maa Kwo-Juh (Chairman) and Mr. Suen Sai Wah Simon.

The Company recognizes the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the business of the Company, the Company has adopted a board diversity policy since November 2013.

Diversity of Board members can be achieved through consideration of a number of factors including, but not limited to, gender, age, race, experience, cultural and educational background, skills and other qualities considered relevant and applicable. It will also take into account factors based on the Company's business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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. It also reviews the Company's adopted board diversity policy, as appropriate, to ensure its continued effectiveness and make recommendations to the Board for consideration and approval.

During the year 2014, one meeting was held with the management on 26 May 2014. Members of the Nomination Committee and their respective attendance at the committee meeting during their term of office are listed below:

	Number of Nomination Committee Meetings attended/held
Committee members	
— Mr. Wong Chi Keung (ceased on 30 June 2014 as chairman)	1/1
— Mr. Cheng Hok Ming, Albert (resigned on 27 November 2014)	1/1
— Dr. Ma Kwai Yuen (resigned on 27 November 2014)	1/1
— Mr. Yip Chi Hung (ceased on 30 June 2014)	1/1
— Mr. Maa Kwo-Juh (appointed on 27 November 2014 as chairman)	—
— Mr. Suen Sai Wah Simon (appointed on 27 November 2014)	—

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company. During the year 2014, the Board has discharged the following corporate governance duties:

- To develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;
- To review and monitor the training and continuous professional development of directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- To implement such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibility on the Company's financial statements for the year ended 31 December 2014 is set out in the section "Independent Auditors' Report" of this Annual Report.

As at 31 December 2014, fees payable for audit and audit-related services to PricewaterhouseCoopers and other auditors were approximately HK$1,108,000 and HK$25,000 respectively.

COMPANY SECRETARY

During the year 2014, Ms. Lau Lai Yee has resigned as the Company Secretary of the Company and Ms. Wong Xavier Julia Maria has been appointed by the Board on 27 November 2014. Ms. Wong is a solicitor qualified in Hong Kong and has been a member of the Law Society of Hong Kong since 1993. Ms Wong has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

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.

The Audit Committee is responsible to review the overall effectiveness of the internal control system and report its findings and make recommendations to the Board. The Directors have conducted a review of the effectiveness of the Group's internal control system for the year 2014. The Board will continue to assess the effectiveness of internal control by considering reviews performed by the Audit Committee and management of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to maintain a high level transparency in communicating with its shareholders.

The Company welcomes the attendance of shareholders at general meetings to express their views. 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. External auditor is also invited to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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.

Resolutions put to vote at the general meetings (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting. Poll results of the general meetings are published on the websites of the Company (http://pacmos.etnet.com.hk) and the Stock Exchange.

The Company held an annual general meeting on 30 June 2014 ("2014 AGM"). Save for the resolutions numbered 2(a) to 3(d) which had less than 50% votes casted in favour of the resolution, all other resolutions proposed at the 2014 AGM were passed.

On 27 November 2014, a special general meeting of the Company (the "SGM") was held for the purposes of approving the appointment of executive directors and independent non-executive directors and payment of the Company's 2014 directors' remuneration. All the resolutions proposed at the SGM were passed. Details of the resolutions proposed at the SGM and the poll results were set out in the Company's circular and announcements dated 12 November 2014 and 27 November 2014 respectively.

SHAREHOLDERS' ENQUIRIES

Shareholders of the Company may direct their enquiries about their shareholdings to the Company's branch share registrar through the online holding enquiry service at www.tricoris.com or by email to is-enquiries@hk.tricorglobal.com or hotline at (852) 2980 1333 or in person at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

To the extent the requisite information of the Company is publicly available, shareholders may send written enquiries in respect of the Company to the Board through the following:

Address:	15th Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong For the attention of Chairman of the Board/Chief Executive Officer/Company Secretary)
Telephone:	(852) 2534 7888
Fax:	(852) 2851 3055

SHAREHOLDERS' RIGHTS

1. Convening of special general meeting by shareholders

The Directors shall, on the requisition of shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company which as at the date of the deposit carries the right of voting at general meetings of the Company, convene a special general meeting. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the principal office of the Company at 15th Floor, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong (the "Principal Office"), and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

The special general meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

2. Putting forward proposed resolution(s) to be considered at general meetings

Shareholders of the Company can submit a requisition in writing to the Company to requisite the Company (i) to give notice to the shareholders entitled to receive notice of the next annual general meeting in respect of any resolution which may properly be moved and is intended to be moved at an annual general meeting of the Company and/or (ii) to circulate a statement to shareholders entitled to have notice of any general meeting of the Company in respect of the matter referred to in any proposed resolution or business to be considered at any general meeting of the Company. These will be done at the expense of the requisitionist unless the Company resolves otherwise. The number of shareholders necessary for such requisition shall be (i) either any number of shareholders representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than one hundred shareholders.

In the case of a requisition to circulate a statement to shareholders, please note that the statement shall contain no more than one thousand words. All requisition must be signed by all of the requisitionist(s) and be deposited at the Principal Office not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution; and not less than one week before the general meeting in case of any other requisition.

The requisitionist(s) must deposit or tender with the requisition a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement (as applicable) in giving effect to the requisition.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year 2014. Updated consolidated versions of the Company's memorandum of association and bye-laws are available on the websites of the Company and the Stock Exchange.

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 35 to 86, which comprise the consolidated and company balance sheets as at 31 December 2014, 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.

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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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 March 2015

Consolidated Balance Sheet

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**3,112**	2,755
Intangible assets	*7*	**—**	—
Long-term deposits	*11*	**182**	699
		3,294	3,454
Current assets			
Inventories	*9*	**4,489**	3,904
Trade and bills receivables	*10*	**1,306**	1,375
Deposits, prepayments and other receivables	*11*	**1,472**	2,174
Amount due from a related party	*27(c)*	**3**	3
Financial assets at fair value through profit or loss	*12*	**132,847**	109,866
Cash and cash equivalents	*13*	**53,326**	59,508
		193,443	176,830
Total assets		**196,737**	180,284
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**134,922**	134,922
Other reserves	*15*	**1,115**	1,258
Accumulated profits		**57,228**	39,960
		193,265	176,140
Total equity		**193,265**	176,140

Consolidated Balance Sheet

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	*28*	**269**	522
Current liabilities			
Trade payables	*16*	**252**	85
Other payables and accruals	*28*	**1,930**	3,537
Amount due to a fellow subsidiary	*27(c)*	**1,021**	—
		3,203	3,622
Total liabilities		**3,472**	4,144
Total equity and liabilities		**196,737**	180,284
Net current assets		**190,240**	173,208
Total assets less current liabilities		**193,534**	176,662

The consolidated financial statements on pages 35 to 86 were approved by the Board of Directors on 11 March 2015 and were signed on its behalf by

CHENG Chow-Chun
Director

LEE Chao-Chun
Director

The notes on pages 43 to 86 are an integral part of these consolidated financial statements.

Balance Sheet

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**871**	1,128
Long-term deposits	*11*	**—**	515
Investments in subsidiaries	*8(a)*	**68,487**	60,074
		69,358	61,717
Current assets			
Deposits, prepayments and other receivables	*11*	**1,025**	1,575
Amount due from a related party	*27(c)*	**3**	3
Financial assets at fair value through profit or loss	*12*	**131,993**	108,894
Cash and cash equivalents	*13*	**1,622**	15,707
		134,643	126,179
Total assets		**204,001**	187,896

Balance Sheet

	Note	As at 31 December 2014 HK$'000	2013 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**134,922**	134,922
Other reserves	*15*	**158,366**	158,366
Accumulated losses		**(101,803)**	(118,611)
Total equity		**191,485**	174,677
LIABILITIES			
Current liabilities			
Other payables and accruals	*28*	**1,161**	2,884
Amounts due to subsidiaries	*8(b)*	**10,334**	10,335
Amount due to a fellow subsidiary	*27(c)*	**1,021**	—
Total liabilities		**12,516**	13,219
Total equity and liabilities		**204,001**	187,896
Net current assets		**122,127**	112,960
Total assets less current liabilities		**191,485**	174,677

The financial statements on pages 35 to 86 were approved by the Board of Directors on 11 March 2015 and were signed on its behalf by

CHENG Chow-Chun
Director

LEE Chao-Chun
Director

The notes on pages 43 to 86 are an integral part of these financial statements.

Consolidated Income Statement

	Note	For the year ended 31 December 2014 HK$'000	2013 HK$'000
Revenue	*5*	**13,646**	12,218
Cost of sales	*18*	**(4,685)**	(4,189)
Gross profit		**8,961**	8,029
Distribution costs	*18*	**(61)**	(45)
General and administrative expenses	*18*	**(16,239)**	(18,481)
Other income	*19*	**1,644**	1,559
Other gains, net	*23*	**22,963**	54,953
Profit before income tax		**17,268**	46,015
Income tax	*21*	**—**	—
Profit for the year attributable to equity holders of the Company		**17,268**	46,015
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company — Basic and diluted	*24*	**5.13**	13.67

The notes on pages 43 to 86 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**17,268**	46,015
Other comprehensive income		
Items that have been reclassified or may be subsequently reclassified to income statement		
Currency translation differences	**(143)**	189
Total comprehensive income for the year attributable to equity holders of the Company	**17,125**	46,204

The notes on pages 43 to 86 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company			
	Share capital *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated profits/(losses)** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2013	134,922	1,069	(6,055)	129,936
Comprehensive income				
Profit for the year	—	—	46,015	46,015
Other comprehensive income				
Currency translation differences	—	189	—	189
Total comprehensive income for the year	—	189	46,015	46,204
Balance at 31 December 2013	134,922	1,258	39,960	176,140
Balance at 1 January 2014	134,922	1,258	39,960	176,140
Comprehensive income				
Profit for the year	—	—	17,268	17,268
Other comprehensive income				
Currency translation differences	—	(143)	—	(143)
Total comprehensive income for the year	—	(143)	17,268	17,125
Balance at 31 December 2014	134,922	1,115	57,228	193,265

The notes on pages 43 to 86 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash used in operations	*25*	**(6,439)**	(10,315)
Net cash used in operating activities		**(6,439)**	(10,315)
Cash flows from investing activities			
Purchases of property, plant and equipment	*6*	**(1,011)**	(1,516)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	21,499
Interest received		**459**	358
Dividend received		**836**	1,897
Proceeds from disposal of property, plant and equipment		**—**	2
Net cash generated from investing activities		**284**	22,240
Net (decrease)/increase in cash and cash equivalents		**(6,155)**	11,925
Cash and cash equivalents at the beginning of the year		**59,508**	47,490
Exchange (losses)/gains on cash and cash equivalents		**(27)**	93
Cash and cash equivalents at the end of the year		**53,326**	59,508

The notes on pages 43 to 86 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Group is principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the People's Republic of China (the "PRC") and investments holding. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is a limited liability company incorporated in Bermuda. The address of its principal place of business is 15th Floor, Siu On Centre, 188 Lockhart Road, Wanchai, 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 on 11 March 2015.

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 at fair value through profit or loss, which are carried at fair value.

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

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards, and interpretations to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2014*

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

No other new and amended standards, and interpretations have any impact on the Group's financial statements since they are not relevant to the Group's operation.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and amended standards, and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

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

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and amended standards, and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted (Continued)

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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 (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

2.2 Consolidation *(Continued)*

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

The group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

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

2.2 Consolidation *(Continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(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 consolidated income statement. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

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

Foreign exchange gains and losses are presented in the consolidated income statement within 'Other gains, net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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 (none of which has the currency of a hyper-inflation an economy 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 or shorter of the lease term
Furniture, fixtures and equipment	4 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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 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 purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified 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. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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

2.8 Financial assets *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for 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', 'amount due from a related party' 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.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

(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 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, 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 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) *Retirement benefits schemes*

The Group operates a number of defined contribution retirement benefit 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 consolidated income statement as incurred.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the retirement schemes operated by the local authorities. The subsidiary is 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)*

2.18 Revenue and income recognition

Revenue is measured at 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 stated 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; when 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.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

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 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.

For companies with RMB as their functional currency

There were no material exposure to fluctuations in exchange rates between US$ and RMB during the years ended 31 December 2014 and 2013.

(ii) Interest rate risk

The Group's does not have bank borrowings during the year (2013: 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The impact on profit or loss of 10 basis-point shift would be a maximum increase/decrease of HK$19,000 for the year ended 31 December 2014 (2013: HK$34,000), mainly as a result of its interest bearing bank deposits.

(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. No specific hedging of price risk has been carried out.

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 2014, assuming the prices of the shares as at year end had increased/decreased by 10% (2013: 10%), the impact on post-tax profit would be approximately HK$13,285,000 higher or lower (2013: the impact on post-tax profit would be approximately HK$10,987,000 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, as well as credit exposures to trade receivables, deposits and amount due from a related party. 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 on cash basis or to customers with appropriate credit history.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

Top five customers accounted for approximately 84% (2013: 90%) of the Group's trade receivables as at 31 December 2014. The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products and the Group actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables.

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

(c) ***Liquidity risk***

The Group did not have any bank borrowings during the year (2013: 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 2014, the Group held cash and cash equivalents of HK$53,326,000 (2013: HK$59,508,000) that are expected to readily generate cash inflows for managing liquidity risk.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

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

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Total *HK$'000*
At 31 December 2014			
Trade payables	252	—	252
Other payables and accruals	1,914	269	2,183
Amount due to a fellow subsidiary	1,021	—	1,021
At 31 December 2013			
Trade payables	85	—	85
Other payables and accruals	3,496	522	4,018

3.2 Capital 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 2014, the gearing ratio was approximately 2% (2013: approximately 2%). Management considers a ratio of not more than 30% as optimal.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

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).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

	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	**132,847**	**—**	**—**	**132,847**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	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	109,866	—	—	109,866

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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Offsetting financial assets and financial liabilities

No financial assets or liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2014 (2013: same).

3.5 Major customers and suppliers

The five largest customers of the Group accounted for approximately 73% (2013: 70%) of the Group's total revenue while the largest customer of the Group accounted for approximately 39% (2013: 30%) of the Group's total revenue. In addition, for the year ended 31 December 2014, the five largest suppliers of the Group accounted for approximately 99% (2013: 75%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 52% (2013: 31%) 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) Inventories

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.

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

(a) Inventories *(Continued)*

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 the PRC and investments holding.

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

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

(ii) 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.

5. SEGMENT INFORMATION *(Continued)*

	Hong Kong *HK$'000*	PRC *HK$'000*	Total *HK$'000*
For the year ended 31 December 2014			
Revenues from external customers	—	13,646	13,646
Operating profit	15,318	1,491	16,809
Interest income	408	51	459
Profit before income tax	15,726	1,542	17,268
Income tax	—	—	—
Profit for the year	15,726	1,542	17,268
Other gains/(losses) — net, included in results for the year	22,980	(17)	22,963
Depreciation and amortisation, included in results for the year	307	321	628
Capital expenditures	50	961	1,011
As at 31 December 2014			
Segment assets	184,972	11,765	196,737
Segment liabilities	2,182	1,290	3,472

5. SEGMENT INFORMATION *(Continued)*

	Hong Kong *HK$'000*	PRC *HK$'000*	Total *HK$'000*
For the year ended 31 December 2013			
Revenues from external customers	—	12,218	12,218
Operating profit	41,510	4,147*	45,657
Interest income	308	50	358
Profit before income tax	41,818	4,197	46,015
Income tax	—	—	—
Profit for the year	41,818	4,197	46,015
Other gains — net, included in results for the year	51,290	3,663*	54,953
Depreciation and amortisation, included in results for the year	309	247	556
Capital expenditures	1,117	399	1,516
As at 31 December 2013			
Segment assets	169,947	10,337	180,284
Segment liabilities	2,884	1,260	4,144

* Operating profit of the PRC segment included income of HK$3,646,000 from the release of liability to a related party. Such income was reported in "other gains, net" in Note 23.

Details of the customers accounting for 10% or more of total revenue are as follows:

	2014 ***HK$'000***	2013 *HK$'000*
Customer A	**5,294**	3,613
Customer B	**1,781**	2,056

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
At 1 January 2013			
Cost	1,104	7,144	8,248
Accumulated depreciation	(515)	(5,649)	(6,164)
Net book amount	589	1,495	2,084
Year ended 31 December 2013			
Opening net book amount	589	1,495	2,084
Additions	1,106	410	1,516
Disposal	(321)	(10)	(331)
Depreciation	(278)	(278)	(556)
Exchange differences	1	41	42
Closing book amount	1,097	1,658	2,755
At 31 December 2013			
Cost	1,200	7,439	8,639
Accumulated depreciation	(103)	(5,781)	(5,884)
Net book amount	1,097	1,658	2,755
Year ended 31 December 2014			
Opening net book amount	1,097	1,658	2,755
Additions	50	961	1,011
Depreciation	(302)	(326)	(628)
Exchange differences	—	(26)	(26)
Closing book amount	845	2,267	3,112
At 31 December 2014			
Cost	1,250	8,293	9,543
Accumulated depreciation	(405)	(6,026)	(6,431)
Net book amount	845	2,267	3,112

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:

	2014	2013
	HK$'000	*HK$'000*
General and administrative expenses	**628**	556

Company

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013			
Cost	1,038	790	1,828
Accumulated depreciation	(484)	(692)	(1,176)
Net book amount	554	98	652
Year ended 31 December 2013			
Opening net book amount	554	98	652
Additions	1,106	11	1,117
Disposal	(321)	(10)	(331)
Depreciation	(256)	(54)	(310)
Closing net book amount	1,083	45	1,128
At 31 December 2013			
Cost	1,131	508	1,639
Accumulated depreciation	(48)	(463)	(511)
Net book amount	1,083	45	1,128
Year ended 31 December 2014			
Opening net book amount	1,083	45	1,128
Additions	50	—	50
Depreciation	(289)	(18)	(307)
Closing net book amount	844	27	871
At 31 December 2014			
Cost	1,181	508	1,689
Accumulated depreciation	(337)	(481)	(818)
Net book amount	844	27	871

7. INTANGIBLE ASSETS

Group

	Computer software HK$'000
At 1 January 2013, 31 December 2013 and 31 December 2014	
Cost	5,005
Accumulated amortisation	(5,005)
Net book amount	—

There were no changes of the Group's intangible assets during the two years ended 31 December 2014.

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

(a) Investments in subsidiaries and amounts due from subsidiaries

	Company	
	2014 **HK$'000**	2013 *HK$'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	**80,261**	73,247
Less: Provision for impairment	**(22,241)**	(23,640)
	58,020	49,607
	68,487	60,074

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 2014:

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 the British Virgin Islands	1 ordinary share of 1 US dollar	100%	—
Shanghai SyncMOS Semiconductor Company Limited	The PRC, wholly foreign owned enterprise	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC	Registered capital of US$7,000,000	—	100%

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

(b) Amounts due to subsidiaries

	2014 *HK$'000*	2013 *HK$'000*
Amounts due to subsidiaries	**(10,334)**	(10,335)
Denominated in:		
— HK$	**(10,334)**	(10,335)

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

9. INVENTORIES

	Group	
	2014 ***HK$'000***	2013 *HK$'000*
Raw materials	**730**	737
Work in progress	**1,535**	1,191
Finished goods	**3,372**	3,121
	5,637	5,049
Less: provision for inventories	**(1,148)**	(1,145)
Inventories, net	**4,489**	3,904

The cost of inventories recognised as expense and included in cost of sales amounted to HK$4,664,000 (2013: HK$4,253,000). A provision for inventories of HK$21,000 was made during the year ended 31 December 2014 (2013: reversal of provision for inventories of HK$64,000).

10. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**487**	529
Bills receivables	**819**	846
Less: provision for impairment of receivables	**—**	—
Trade and bills receivables, net	**1,306**	1,375

As at 31 December 2014, trade receivables of HK$287,000 (2013: HK$296,000) were past due but not impaired. The ageing analysis of trade receivables based on due date is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current	**200**	233
1 — 30 days	**179**	161
Over 30 days	**108**	135
	487	529

The carrying values of trade receivables approximate their fair values as at 31 December 2014 (2013: 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 2014, bills receivables of HK$819,000 (2013: HK$846,000) will mature as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
0 — 30 days	**126**	129
31 — 90 days	**378**	360
91 — 180 days	**315**	357
	819	846

The maximum exposure to credit risk at the balance sheet date is the carrying value of the trade and bills receivables disclosed above. The Group's trade and bills receivables are denominated in RMB.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**757**	1,823	**515**	1,563
Prepayments	**897**	1,019	**510**	527
Other receivables	**—**	31	**—**	—
	1,654	2,873	**1,025**	2,090
Less: non-current portion				
— long-term deposits	**(182)**	(699)	**—**	(515)
Current portion	**1,472**	2,174	**1,025**	1,575

The carrying values of deposits and other receivables approximate their fair values as at 31 December 2014 (2013: same).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in				
— The United States of America	**131,993**	108,894	**131,993**	108,894
— Hong Kong	**854**	972	**—**	—
Market value of listed securities	**132,847**	109,866	**131,993**	108,894

Changes in fair value of the financial assets at fair value through profit or loss are recorded in "Other gains, net" in the consolidated income statement in Note 23.

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

As at 31 December 2014, the carrying amount of the Group's interests in the shares of ChipMOS Technologies (Bermuda) Ltd. ("ChipMOS") represented 67% (2013: 61%) of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
ChipMOS Technologies (Bermuda) Ltd.	Bermuda	Provision of semi-conductor testing and packaging solutions to fabless companies, integrated device manufacturers and foundries	Issued capital of US$1.2 million par value of US$0.04 per share	729,919 common shares, representing 2.5% of issued share capital of ChipMOS

The quoted market price of ChipMOS as at 10 March 2015 was approximately US$22.68.

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank	**51,852**	23,505	**1,622**	15,702
Term deposits with original maturities of three months or less *(Note a)*	**1,468**	35,990	**—**	—
Cash on hand	**6**	13	**—**	5
Cash and cash equivalents	**53,326**	59,508	**1,622**	15,707
Denominated in:				
— HK$	**49,780**	56,771	**1,235**	15,707
— US$	**389**	3	**387**	—
— RMB *(Note b)*	**3,157**	2,734	**—**	—
	53,326	59,508	**1,622**	15,707

Note:

(a) As at 31 December 2014, the effective interest rate on term deposits was 2.45% (2013: 1.09%).

(b) As at 31 December 2014, funds of the Group denominated in Renminbi amounting to HK$3,150,000 were kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2013: HK$2,726,000).

14. SHARE CAPITAL

	Number of shares	**Ordinary shares**	**Share premium**	**Total share capital**
	(thousands)	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013, 31 December 2013 and 31 December 2014	336,587	33,659	101,263	134,922

The total authorised number of ordinary shares is 500 million shares (2013: 500 million shares) with a par value of HK$0.1 per share (2013: HK$0.1 per share). All issued shares are fully paid.

15. OTHER RESERVES

Group

	Exchange reserve
	HK$'000
At 1 January 2013	1,069
Currency translation differences	189
At 31 December 2013	1,258
Currency translation differences	(143)
At 31 December 2014	1,115

Company

	Contributed surplus	Capital reserve	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2013 and 31 December 2014	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.

16. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
0 — 30 days	**252**	85

The carrying amounts of trade payables approximate their fair values as at 31 December 2014 (2013: same).

17. DEFERRED INCOME TAX

There were no deferred taxation recognised by the Group as at 31 December 2014 and 2013.

At 31 December 2014, the Group had tax loss of approximately HK$81 million (2013: HK$81 million), which is subject to the approval of the relevant tax authorities.

Unrecognised tax losses of approximately HK$0.7 million (2013: HK$0.7 million) is to expire within 5 years while unrecognised tax losses of approximately HK$80 million (2013: HK$80 million) is of no expiration date.

18. EXPENSES BY NATURE

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**4,664**	4,253
Auditors' remuneration	**1,133**	929
Provision/(reversal of provision) for inventories	**21**	(64)
Depreciation of property, plant and equipment	**628**	556
Loss on disposal of property, plant and equipment	**—**	329
Operating lease rentals in respect of properties	**2,243**	3,962
Research and development costs	**58**	270
Marketing costs	**61**	45
Employee benefit expenses *(Note 20)*	**7,966**	8,125
Other expenses	**4,211**	4,310
Total cost of sales, distribution costs and general and administrative expenses	**20,985**	22,715

19. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income	**459**	358
Dividend income	**836**	944
Sundry income	**349**	257
	1,644	1,559

20. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014	2013
	HK$'000	*HK$'000*
Wages and salaries	**6,035**	6,061
Provision for bonuses and welfare fund	**1,024**	1,164
Pension costs — defined contribution plan	**85**	120
Directors' emoluments *(note i)*	**822**	780
	7,966	8,125

(a) Directors' emoluments

The remuneration of each Director and the chief executive for the year ended 31 December 2014 is set out below:

	2014	2013
	HK$'000	*HK$'000*
Fee for Executive Directors		
— Mr. Yip Chi Hung	**380**	400
— Mr. Cheng Chow-Chun	**—**	—
— Mr. Sun Tao-Heng	**—**	—
— Mr. Yuan Chun-Tang	**—**	—
Fee for chief executives		
— Mr. Chen Che Yuan	**151**	160
— Mr. Lee Chao-Chun	**—**	—
Fee for Non-executive Directors		
— Mr. Cheng Hok Ming, Albert	**114**	120
— Dr. Ma Kwai Yuen	**114**	120
— Mr. Wong Chi Keung	**63**	120
— Mr. Maa Kwo-Juh	**—**	—
— Mr. Suen Sai Wah Simon	**—**	—
— Mr. Li Kwan In	**—**	—
	822	920

Note:

(i) None of the Directors has waived or agreed to waive any emoluments during the year (2013: same). On 11 April 2013, a special general meeting was held and the remuneration of Mr. Yip Chi Hung and Mr. Chen Che Yuan for the year ended 31 December 2012 was amended to HK$400,000 and HK$160,000, respectively. Accordingly, an overprovision of HK$140,000 for the prior year was reversed in the consolidated income statement for the year ended 31 December 2013.

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

(b) Five highest paid individuals

Two of the five highest paid individuals were Directors (2013: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three highest paid individuals (2013: four) during the year are as follows:

	2014	2013
	HK$'000	*HK$'000*
Basic salaries and allowances	**2,334**	2,657
Bonuses	**—**	226
Pension costs — defined contribution plan	**70**	127
	2,404	3,010

The emoluments of these three (2013: four) highest paid individuals were within the following bands:

	Number of individuals	
	2014	2013
Nil — HK$1,000,000	**2**	3
HK$1,000,001 — HK$1,500,000	**1**	1
	3	4

During the year, no emolument was paid by the Group to Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

21. INCOME TAX

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014	2013
	HK$'000	*HK$'000*
Current income tax	**—**	—

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

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**17,268**	46,015
Tax calculated at domestic tax rates applicable to profit in the respective countries	**208**	388
Income not subject to tax	**(262)**	(508)
Expenses not deductible for tax purpose	**45**	37
Tax losses for which no deferred tax asset was recognised	**9**	83
Income tax credit	**—**	—

According to the relevant PRC tax regulations, Shanghai SyncMOS was entitled to tax rate reduction for the year of 2013. For the year ended 31 December 2014, no corporate income tax was provided as Shanghai SyncMOS had no assessable profit.

22. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$16,808,000 (2013: HK$45,836,000).

23. OTHER GAINS, NET

Other gains recognised during the year are as follows:

	2014 *HK$'000*	2013 *HK$'000*
Financial assets at fair value through profit or loss:		
— unrealised fair value gains	22,996	43,289
— realised gains	—	8,026
Release of liability to a related party	—	3,646
Exchange losses, net	(33)	(8)
Other gains, net	22,963	54,953

24. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share 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.

	2014 *HK$'000*	2013 *HK$'000*
Profit attributable to equity holders of the Company	17,268	46,015
Weighted average number of ordinary shares in issue (thousands)	336,587	336,587
	HK cents	*HK cents*
Basic earnings per share	5.13	13.67

(b) Diluted

The Company does not have any potential dilutive ordinary shares.

25. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash used in operating activities

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**17,268**	46,015
Adjustments for:		
— Interest income	**(459)**	(358)
— Dividend income	**(836)**	(944)
— Depreciation of property, plant and equipment	**628**	556
— Unrealised fair value gain from financial assets at fair value through profit or loss	**(22,996)**	(43,289)
— Realised gain on disposal of financial assets at fair value through profit or loss	**—**	(8,026)
— Provision/(reversal of provision) for inventories	**21**	(64)
— Loss on disposal of property, plant and equipment	**—**	329
— Release of liability to a related party	**—**	(3,646)
	(6,374)	(9,427)
Changes in working capital:		
— Inventories	**(666)**	(215)
— Trade and bills receivables	**48**	41
— Deposits, prepayments and other receivables	**1,208**	(776)
— Amount due to a fellow subsidiary	**1,021**	—
— Trade payables, other payables and accruals	**(1,676)**	62
Cash used in operating activities	**(6,439)**	(10,315)

In the consolidated cashflow statement, proceeds from disposal of property, plant and equipment comprise:

	2013
	HK$'000
Net book amount *(Note 6)*	331
Loss on disposal of property, plant and equipment *(Note 18)*	(329)
	2

26. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments for office premises under non-cancellable operating leases are as follows:

	2014	2013
	HK$'000	*HK$'000*
— Not later than one year	**2,090**	2,371
— Later than one year and not later than five years	**57**	2,149
	2,147	4,520

27. RELATED PARTY TRANSACTIONS

As at 31 December 2014, approximately 43.3% and 31.5% of the Company's shares were owned by Full Global International Limited (incorporated in the British Virgin Islands) and Vision2000 Venture Limited (incorporated in the Cayman Islands). Full Global International Limited and Vision2000 Venture Limited are wholly owned by Pacific Electric Wire and Cable Company Limited (incorporated in Taiwan) and Mosel Vitelic Inc. (incorporated in Taiwan) respectively.

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

		2014	2013
	Note	***HK$'000***	*HK$'000*
Fong Wing Shing Construction Company Limited ("Fong Wing Shing"), an entity with directorships in common			
Recharge of rentals	*(i)*	—	167
Reimbursement	*(ii)*	—	25
Other income	*(iii)*	—	2

Note:

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

(ii) The reimbursement was received from Fong Wing Shing for sharing printing service.

(iii) The other income was charged to Fong Wing Shing based on the printing usage.

27. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	2014 HK$'000	2013 HK$'000
Basic salaries and allowances	1,744	1,773
Bonuses	—	—
	1,744	1,773

(c) Year end balances arising from expenses paid on behalf

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Amount due from MVI, a related company	3	3	3	3
Amount due to PEWC Overseas Investment Management Limited, a fellow subsidiary	(1,021)	—	(1,021)	—

The amount due from MVI, a related company and the amount due to PEWC Overseas Investment Management Limited, a fellow subsidiary are unsecured, interest-free and repayable on demand. The carrying amounts of the balances approximate their fair values and are denominated in Hong Kong dollars.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Accrued staff benefits	835	1,465	59	499
Accrued professional fees	825	960	800	960
Advances from customers	16	41	—	—
Others	523	1,593	302	1,425
	2,199	4,059	1,161	2,884
Less: non-current portion — other payables	(269)	(522)	—	—
Current portion	1,930	3,537	1,161	2,884

29. 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 2014			
Trade and bills receivables *(Note 10)*	1,306	—	1,306
Deposits and other receivables *(Note 11)*	757	—	757
Amount due from a related party *(Note 27(c))*	3	—	3
Financial assets at fair value through profit or loss *(Note 12)*	—	132,847	132,847
Cash and cash equivalents *(Note 13)*	53,326	—	53,326
Total	55,392	132,847	188,239
At 31 December 2013			
Trade and bills receivables *(Note 10)*	1,375	—	1,375
Deposits and other receivables *(Note 11)*	1,854	—	1,854
Amount due from a related party *(Note 27(c))*	3	—	3
Financial assets at fair value through profit or loss *(Note 12)*	—	109,866	109,866
Cash and cash equivalents *(Note 13)*	59,508	—	59,508
Total	62,740	109,866	172,606

	Other financial liabilities *HK$'000*
At 31 December 2014	
Trade payables *(Note 16)*	252
Other payables and accruals *(Note 28)*	2,183
Amount due to a fellow subsidiary *(Note 27(c))*	1,021
Total	3,456
At 31 December 2013	
Trade payables *(Note 16)*	85
Other payables and accruals *(Note 28)*	4,018
Total	4,103

29. FINANCIAL INSTRUMENTS BY CATEGORY — COMPANY

	Loans and receivables *HK$'000*	**Financial assets at fair value through profit or loss** *HK$'000*	**Total** *HK$'000*
At 31 December 2014			
Deposits and other receivables *(Note 11)*	515	—	515
Amount due from a related party *(Note 27(c))*	3	—	3
Financial assets at fair value through profit or loss *(Note 12)*	—	131,993	131,993
Cash and cash equivalents *(Note 13)*	1,622	—	1,622
Total	2,140	131,993	134,133
At 31 December 2013			
Deposits and other receivables *(Note 11)*	1,563	—	1,563
Amount due from a related party *(Note 27(c))*	3	—	3
Financial assets at fair value through profit or loss *(Note 12)*	—	108,894	108,894
Cash and cash equivalents *(Note 13)*	15,707	—	15,707
Total	17,273	108,894	126,167

	Other financial liabilities *HK$'000*
At 31 December 2014	
Other payables and accruals *(Note 28)*	1,161
Amounts due to subsidiaries *(Note 8(b))*	10,334
Amount due to a fellow subsidiary *(Note 27(c))*	1,021
Total	12,516
At 31 December 2013	
Other payables and accruals *(Note 28)*	2,884
Amounts due to subsidiaries *(Note 8(b))*	10,335
Total	13,219