



PACMOS TECHNOLOGIES HOLDINGS LIMITED
(弘 茂 科 技 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

The directors are pleased to present the unaudited results of PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June 2003.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30th June 2003

	<i>Notes</i>	Unaudited	
		six months ended 30th June	
		2003	As restated
		HK\$'000	2002
		HK\$'000	HK\$'000
Turnover	2	48,195	35,973
Cost of sales		(32,342)	(27,782)
Gross profit		15,853	8,191
Other revenues		416	1,055
Distribution costs		(1,457)	(2,213)
General and administrative expenses		(9,018)	(13,864)
Other operating (expenses)/income	3	(38,877)	34,679
(Loss)/profit from operations	4	(33,083)	27,848
Finance costs		(900)	(1,309)
(Loss)/profit before taxation		(33,983)	26,539
Taxation	5	(280)	(268)
(Loss)/profit before minority interests		(34,263)	26,271
Minority interests		(2,224)	2,003
Net (loss)/profit attributable to shareholders		(36,487)	28,274
Basic (loss)/earnings per share	6	(10.8 cents)	8.4 cents
Diluted (loss)/earnings per share	6	N/A	N/A

NOTES TO CONDENSED CONSOLIDATED ACCOUNTS

1 Basis of presentation and principal accounting policies

The accounting policies and methods of computation used in the preparation of the condensed interim accounts for the six months ended 30th June 2003 are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has adopted the new Statement of Standard Accounting Practice No. 12 "Income Tax" ("SSAP 12") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. The effect of this change in accounting policy was to reduce the net profit for the six months period ended 30th June 2002 by HK\$80,000.

2 Segment information

Analysis of turnover and contribution to (loss)/profits from operations by geographical location is as follows:

	Turnover Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong	2,296	3,122
Taiwan	40,872	30,065
The People's Republic of China (the "PRC")	5,027	2,786
	<u>48,195</u>	<u>35,973</u>
	Contribution to (loss)/profit from operations	
	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong	2,296	3,122
Taiwan	10,691	3,175
The PRC	2,866	1,894
	<u>15,853</u>	<u>8,191</u>
Gross profit	416	1,055
Other revenue	(49,352)	18,602
(Expenses)/income, net	<u>(33,083)</u>	<u>27,848</u>

3 Other operating (expenses)/income

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Unrealised (loss)/gain arising from mark-to-market valuation of other investments	(40,946)	32,458
Provision for diminution in value of other investments	—	(35)
Write-back of provision for doubtful debts	58	249
Negative goodwill recognised as income	400	400
Refund of withholding tax on prior years' dividend income received on overseas other investments	—	1,539
Gain on sale of other investments	184	68
Gain on disposal of product manufacturing rights	1,427	—
	<u>(38,877)</u>	<u>34,679</u>

4 (Loss)/profit from operations

(Loss)/profit from operations is arrived at after charging:

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Depreciation of fixed assets	1,943	1,231
Amortisation of intangible assets	1,700	1,764
Provision for inventory obsolescence	1,249	1,368
Provision for doubtful debts	133	145
Research and development costs	4,408	7,498
Staff costs	5,120	8,292
	<u>17,553</u>	<u>20,308</u>

5 Taxation

The Company is exempt from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Overseas taxation has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates.

	Unaudited	
	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	4	80
Overseas taxation	106	108
Deferred taxation		
— relating to taxable temporary differences	90	80
— resulting from an increase in tax rate	80	—
	<u>280</u>	<u>268</u>

6 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30th June 2003 was based on the consolidated net loss attributable to shareholders of approximately HK\$36,487,000 (2002: restated net profit of HK\$28,274,000) and the weighted average number of 336,587,142(2002: 336,587,142) shares in issue during the period.

Diluted earnings per share for the six months ended 30th June 2003 was not presented as there was no dilution effect on the earnings per share.

RESULTS

For the six months ended 30th June 2003, the Group achieved a turnover of approximately HK\$48.2 million as compared to approximately HK\$36.0 million of the corresponding period last year. The net loss attributable to shareholders was approximately HK\$36.5 million, as compared to a net profit of approximately HK\$28.3 million of the corresponding period last year.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Design and trading of integrated circuits and distribution of products

With improved quality and design of our products and better market demand, this segment achieved a turnover of approximately HK\$45.9 million, increased approximately 40% as compared to that of the same period last year. The gross profit margin was approximately 30%, considerably improved as compared to approximately 15% of the same period of last year. The profit from operations of this segment was approximately HK\$1.8 million as compared to a loss of approximately HK\$8.2 million for the corresponding period of last year.

Investment property holding

Attributed to a drop in average occupancy of tenants, the rental income from the investment property in Hong Kong decreased approximately 26% to approximately HK\$2.3 million as compared to the same period last year. The profit from operations of this segment amounted to approximately HK\$1.3 million as compared to HK\$1.5 million for the same period last year. The occupancy rate as at 30th June 2003 was approximately 62%.

Investments holding

For the period under review, an unrealized loss of approximately HK\$40.9 million was obtained due to mark-to-market valuation, at the market price of US\$1.25 per share, as at 30th June, 2003 on the Group's investment in ChipMOS Technologies (Bermuda) Limited, which is listed on NASDAQ.

The market price of the investment, which is subject to volatility of the NASDAQ stock market, has recovered considerably after the period end. At 18th September 2003, the quoted market price of the investment was US\$2.81 per share.

Liquidity and Financial Resources

As at 30th June 2003 the cash and cash equivalents held by the Group amounted to approximately HK\$62.5 million. The amount of bank loans of the Group outstanding as at 30th June 2003 was approximately HK\$58.4 million, of which approximately HK\$32.6 million was long-term loan. There was a net increase of cash and cash equivalents for the six months ended 30th June 2003 of approximately HK\$28.7 million, of which, approximately HK\$11.6 million was generated from operating activities.

Capital Structure

There was no change in the share capital of the Company during the period. The net loss attributable to shareholders for the six months ended 30th June 2003 of approximately HK\$36.5 million was transferred to reserves. As at 30th June 2003, the shareholders' funds of the Group amounted to approximately HK\$95.0 million.

Gearing Ratio

The gearing ratio of the Group, as defined as total liabilities (excluding capital, reserves and minority interest) expressed as a percentage of total assets, was approximately 41.9% as compared to approximately 37.3% as at 31st December 2002.

The finance cost of the group reduced to approximately HK\$0.9 million against that of approximately HK\$1.3 million for the corresponding period of last year.

Foreign Currency Exposure

For the period under review, an exchange gain of approximately HK\$45,000 was recognized in the income statement. In addition, an exchange adjustment of approximately HK\$0.4 million, mainly attributed to the translation of the accounts of overseas operations denominated in New Taiwan Dollars upon consolidation, was debited to the exchange reserves.

Investments and Capital Assets

The Group invested approximately HK\$1.5 million in fixed assets during the period under review.

The value of the other investments of the Group decreased to approximately HK\$39.1 million as at 30th June 2003 against that of approximately HK\$102.8 million as at 31st December 2002.

Charge on Assets

The Group's investment property at 18 Lee Chung Street, Chai Wan, Hong Kong was mortgaged to a bank to secure a ten-year term loan with outstanding balance of approximately HK\$36.8 million as at 30th June 2003. The Group's rental income and rental deposits in respect of the mortgaged investment property were also assigned to the bank.

Human Resources

The Group offers competitive remuneration package so as to retain knowledgeable and experienced staff. As at 30th June 2003, the number of staff of the Group was approximately 67.

Contingent Liabilities

As at 30th June 2003, the Group did not have any material contingent liabilities.

Future Plans and Prospects

The Group has successfully strengthened its competitiveness in its main business of design and trading of integrated circuit products. We shall continue to focus on MCUs and flash memories products and to serve customers in the Greater China region. We believe that the Group is well positioned to benefit from the expected growth in the integrated circuits industry.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June 2003.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June 2003 with the directors.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period covered by this interim report except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the By-laws of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Exchange's website in due course.

By order of the Board
Seto Yee Woon, John
Chairman

Hong Kong, 19th September 2003

* *for identification purposes only*

Please also refer to the published version of this announcement in The Standard.