
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PacMOS Technologies Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PacMOS Technologies Holdings Limited
(弘 茂 科 技 控 股 有 限 公 司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 1010)

DISCLOSEABLE TRANSACTION

Disposal of Property known as PCL Group Building
at 18 Lee Chung Street, Chai Wan, Hong Kong

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“Company”	PacMOS Technologies Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal on or before 2 May 2005 (or such other date as the Vendor and the Purchaser may agree)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deposits”	the Initial Deposit and the Second Deposit
“Directors”	the directors of the Company, including its independent non-executive directors
“Disposal”	the disposal of the Property by the Vendor to the Purchaser
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the People’s Republic of China
“Initial Deposit”	a cash sum of HK\$1,034,000 paid by the Purchaser to the Vendor’s solicitors as initial deposit upon signing of the Offer Letter, representing 2% of the Purchase Price
“Latest Practicable Date”	20 December 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letter”	the letter of offer dated 2 November 2004 from the Purchaser to the Vendor for the sale and purchase of the Property countersigned by the Vendor on 15 November 2004
“Property”	PCL Group Building located at 18 Lee Chung Street, Chai Wan, Hong Kong beneficially owned by the Vendor

DEFINITIONS

“Provisional Agreement”	the provisional agreement for the sale and purchase of the Property dated 23 November 2004 entered into between the Vendor and the Purchaser
“Purchase Price”	an aggregate cash consideration of HK\$51,700,000 payable by the Purchaser for the purchase of the Property
“Purchaser”	New Empire Properties Limited which, together with its ultimate beneficial owner(s), are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, third parties independent of and not connected with the Company and connected persons of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Second Deposit”	a cash sum of HK\$4,136,000 paid by the Purchaser to the Vendor’s solicitors as the second deposit upon signing of the Provisional Agreement, representing 8% of the Purchase Price
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Wellba Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars
“%”	per cent.

LETTER FROM THE BOARD



PacMOS Technologies Holdings Limited
(弘 茂 科 技 控 股 有 限 公 司) *

(incorporated in Bermuda with limited liability)

(Stock Code: 1010)

Executive directors:

Seto Yee Woon, John (*Chairman*)

Yip Chi Hung

Pang Hong

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Independent non-executive directors:

Fung Choi On

Wong Chi Keung

Cheng Hok Ming, Albert

Principal office in Hong Kong:

12th Floor

PCL Group Building

18 Lee Chung Street

Chai Wan

Hong Kong

23 December 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**Disposal of Property known as PCL Group Building
at 18 Lee Chung Street, Chai Wan, Hong Kong**

INTRODUCTION

It was announced on 2 December 2004 that the Vendor, a wholly owned subsidiary of the Company, accepted an offer on 15 November 2004 contained in the Offer Letter given by the Purchaser, an independent third party, and entered into the Provisional Agreement on 23 November 2004 with the Purchaser, for the Vendor's disposal of the Property to the Purchaser at a total cash consideration of HK\$51,700,000.

* *For identification purpose only*

LETTER FROM THE BOARD

The Disposal constitutes a discloseable transaction of the Company for the purposes of the Listing Rules. The purpose of this circular is to provide Shareholders with information relating to the Disposal in accordance with the Listing Rules.

INFORMATION ON THE DISPOSAL

Offer Letter

Date : The Offer Letter is dated 2 November 2004.

The Vendor countersigned the Offer Letter on 15 November 2004.

Provisional Agreement

Date : The Provisional Agreement is dated 23 November 2004.

Parties

Vendor : Wellba Investment Limited, a wholly-owned subsidiary of the Company

Purchaser : New Empire Properties Limited, which was introduced to the Vendor through a property agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, together with its ultimate beneficial owner(s), and the property agent mentioned above are third parties independent of and not connected with the Company and connected persons of the Company.

The Property

The Property is an industrial building known as PCL Group Building and is located at 18 Lee Chung Street, Chai Wan, Hong Kong. The Property has a total gross floor area of approximately 68,300 squared feet. Premises located on the 12th floor of the Property with a gross floor area of approximately 3,400 squared feet also serve as the Company's current principal office in Hong Kong. The Property is to be sold on an "as is" basis free from encumbrances but with the benefit of certain existing tenancies expiring between 31 December 2004 to 28 February 2007, which occupy approximately 40,000 squared feet in the Property, representing an occupancy rate of approximately 58.5%. Save for such existing tenancies, vacant possession of the other units in the Property amounting to approximately 24,900 square feet shall be delivered to the Purchaser on Completion. Given this, the Company's principal office in Hong Kong will be relocated to other suitable premises to be identified before Completion and an announcement will be made of any change of address of such principal office. It is the current

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intention of the Company that it will lease rather than purchase the property to be used as Company's principal office in Hong Kong. The Directors consider there should be no difficulty for the Company to identify suitable premises given that completion of the Disposal is scheduled to take place several months later, on or before 2 May 2005. At this stage, as the new premises have not been identified, the Company is unable to estimate other expenses, such as the amount of rent and decoration expenses, involved in such relocating.

The Vendor is principally engaged in investment property holding. The Property was first acquired by the Vendor in 1991 and is held by the Group as an investment property. The Property and the cash representing rental income from the Property are the only assets held by the Vendor. For the year ended 31 December 2003, the audited net profits of the Vendor before and after taxation amounted to approximately HK\$1,152,000 and HK\$853,000 respectively and the audited turnover of the Vendor was approximately HK\$4,320,000. For the year ended 31 December 2002, the audited net profits of the Vendor before and after taxation amounted to approximately HK\$2,008,000 and HK\$1,659,000 respectively and the audited turnover of the Vendor was approximately HK\$6,124,000. The decrease in net profits and turnover of the Vendor between the years ended 31 December 2002 and 31 December 2003 resulted from a reduced occupancy level of the Property and therefore a decline in the overall rental income achieved through tenancies. For the six months ended 30 June 2004, the unaudited net profits of the Vendor before and after taxation amounted to approximately HK\$480,000 and HK\$390,000 respectively and the unaudited turnover of the Vendor was approximately HK\$1,905,000. As reflected in the Group's audited financial statements for the year ended 31 December 2003, the book value of the Property carried at valuation performed by Vigers Hong Kong Limited, an independent valuer appointed by the Company, was HK\$52,000,000 as at 31 December 2003.

Consideration

The Purchase Price is payable in cash and amounts to HK\$51,700,000 in aggregate. The Purchase Price has been determined after arm's length negotiations between the Vendor and the Purchaser by reference to the valuation on the Property of HK\$52,000,000 as at 31 December 2003 prepared by the independent valuer mentioned above. The Purchase Price represents an approximately 0.6% discount to such valuation. Based on the carrying value of the Property of HK\$52,000,000 as at 31 December 2003, the Board expects that the sale of the Property would result in a consolidated loss on disposal of HK\$300,000.

The valuation of the Property as at 31 December 2003 represents the last valuation performed on the Property. Based on the valuation report, the value of the Property of HK\$52,000,000 as at that date was arrived at after taking into account, among other factors, the occupancy level of the Property and monthly rental income of approximately HK\$343,000 as at 31 December 2003 derived from tenancies. Although no updated valuation has been performed since then,

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the Company's management believes that there is no material difference between the current fair market value of the Property and the last valuation amount of HK\$52,000,000 as at 31 December 2003 given that the current monthly rental income from the Property amounts to approximately HK\$322,000, a level that has not fluctuated substantially from that achieved as at 31 December 2003. Prior to the signing of the Provisional Agreement, the Company had made enquiries and the feedbacks or price quotes from various estate agents in relation to comparable properties in the same location indicated that the Purchase Price was favourable with reference to the then prevailing market price. After the signing of the Provisional Agreement, the Company's management had read from a newspaper commenting on the market price of PCL Group Building, which was actually lower than the Purchase Price (on a per square foot basis). The Directors also consider that the appeared recent rising trends in the prices of real properties in Hong Kong do not apply to industrial buildings.

The Purchase Price is to be paid by the Purchaser in the following manner:

1. the Initial Deposit in the sum of HK\$1,034,000, representing 2% of the Purchase Price, has been paid to the Vendor's solicitors upon signing of the Offer Letter;
2. the Second Deposit in the sum of HK\$4,136,000, representing 8% of the Purchase Price, has been paid to the Vendor's solicitors upon signing of the Provisional Agreement;
3. a subsequent further deposit in the sum of HK\$10,340,000, representing 20% of the Purchase Price, is to be paid to the Vendor's solicitors upon signing of the formal agreement for the sale and purchase of the Property, which is scheduled to take place on or before 14 February 2005 (or such other date as the parties may agree); and
4. the balance of the Purchase Price in the sum of HK\$36,190,000, representing the remaining 70% of the Purchase Price, is to be paid upon Completion, which is scheduled to take place on or before 2 May 2005 (or such other date as the parties may agree).

The Deposits and all subsequent deposits are to be held by the Vendor's solicitors as stakeholder pending Completion.

If the Vendor, after having received the Deposits, fails to complete the Disposal, the Vendor is required to refund to the Purchaser the full amount of the Deposits and compensate the Purchaser for any damages suffered by it as a result.

If any of the representations, warranties and undertakings given by the Vendor to the Purchaser is not accurate, complete or up to date, the Purchaser is entitled to rescind the agreement for the purchase of the Property and the Vendor will then be required to refund to the Purchaser the full amount of the Deposits, as well as any other sums paid by the Purchaser to the Vendor, and pay to the Purchaser an additional sum equivalent to the amount of the Deposits as liquidated damages. In which event, the Vendor shall be entitled to sell the Property again.

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Other Principal Terms

The Vendor has also represented, warranted and undertaken to the Purchaser, amongst others, that, immediately before Completion, the Vendor will cause such tenants as the Purchaser may notify to the Vendor before Completion to vacate the Property by terminating the relevant tenancy agreements between the Vendor and such tenants, and vacant possession of the relevant portions of the Property is to be delivered to the Purchaser on the expiry of 181 days after the date of Completion. According to the relevant tenancy agreements between the Vendor and the tenants of the Property, upon a disposal of the Property, the Vendor may terminate such tenancy agreements by serving 6 months prior notices on the tenants. Upon the expiry of such notice period, the relevant tenancies will be terminated with no penalty payable by the Vendor to the tenants affected by such termination.

Completion

Subject to the existing mortgage and other encumbrance affecting the Property having been released or discharged on or before Completion and the Vendor having proved title to the Property, Completion is expected to take place on or before 2 May 2005 (or such other date as the parties may agree).

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are mainly engaged in design, distribution and trading of integrated circuit products, investment property holding and investment holding.

To the Directors' knowledge, the principal business activities of the Purchaser are in the areas of storage and logistics.

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Property is currently subject to a mortgage in favour of a bank to secure a term loan facility the outstanding principal sum of which amounts to approximately HK\$30,450,000 as at the Latest Practicable Date. The rental income and rental deposits from the Property are also assigned to the bank as security. An amount equal to 1% of the Purchase Price, representing HK\$517,000, is payable as commission to the property agent that introduced the Purchaser to the Vendor. The proceeds from the Disposal, net of the commission payable to the property agent and the legal and other costs and expenses to be incurred for the Disposal and discharge of the existing mortgage over the Property, are expected to amount to approximately HK\$50,700,000. Part of such net proceeds of approximately HK\$30,450,000 will be used towards paying in full the outstanding principal and interest due to the bank for the purpose of discharging the existing mortgage over the Property. The remaining part of such net proceeds of approximately HK\$20,250,000 is intended to be used towards paying the expenses to be

LETTER FROM THE BOARD

incurred by the Company for the relocation of its principal office in Hong Kong as a result of the Disposal, with the rest as working capital for the Group. The moving expenses to be incurred in relocating the Company's principal office are estimated at approximately HK\$100,000. It is the current intention of the Company that it will lease rather than purchase the property to be used as Company's principal office in Hong Kong. At this stage, as the new premises have not been identified, the Company is unable to estimate other expenses, such as the amount of rent and decoration expenses, involved in such relocating.

The Board considers that, although the Disposal would result in the Company incurring expenses for the relocation of its principal office, such expenses are not expected to be significant in the context of the Group as a whole. The Disposal would also result in the Group not being able to utilise the Property as security for future borrowings. However, after having reviewed the level of the Group's internal resources coupled with the net proceeds expected to be received from the Disposal and other existing banking facilities available to the Group, the Company's management believes that the Group has no immediate need to raise external borrowings for the purposes of funding its daily operations as now being carried on. Upon completion of the Disposal, the Group will no longer be entitled to the earnings derived from the tenancies of the Property, which amounted to approximately HK\$1.15 million for the financial year ended 31 December 2003, representing less than 1% of the total earnings of the Group for the same period. Based on the interim report of the Company for the 6 months ended 30 June 2004, the value of the Property represent approximately 12.4% of the total assets of the Group. Therefore, the Company's management considers that the Disposal will not have a material impact on the earnings and assets of the Group.

Although recent trends indicate that the prices of real properties in Hong Kong appear to be rising, the Company's management observed that the prices for industrial buildings do not necessarily follow that trend and the value of these buildings largely depends on their locations and rental yield achieved. Given that the Property is an industrial building, the level of rental income that can be attained from the Property is relatively low as compared with other types of properties in Hong Kong and, as such, the market value of the Property is not expected to rise significantly in the near future. As mentioned before, prior to the signing of the Provisional Agreement, the Company had made enquires and the feedbacks or price quotes from various estate agents in relation to comparable properties in the same location indicated that the Purchase Price was favourable with reference to the then prevailing market price. After the signing of the Provisional Agreement, the Company's management had read from a newspaper commenting on the market price of PCL Group Building, which was actually lower than the Purchase Price (on a per square foot basis). After taking into account the trends of rising interest rates, the Board is therefore of the view that the Disposal is in the interest of the Group since the proceeds from the Disposal would be applied towards reducing the indebtedness of and hence the interest payments to be incurred by the Group, and the remaining part of the proceeds would provide the Group with funds for working capital purposes. The Board also believes that the terms of the Offer Letter and the Provisional Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECTS

As reflected in the Group's audited financial statements for the year ended 31 December 2003, the book value of the Property carried at valuation performed by Vigers Hong Kong Limited, an independent valuer appointed by the Company, was HK\$52,000,000 as at 31 December 2003. Based on the carrying value of the Property of HK\$52,000,000 as at 31 December 2003 and the Purchase Price of HK\$51,700,000, the Board expects that the sale of the Property would result in a consolidated loss on disposal of HK\$300,000.

GENERAL

Your attention is drawn to the further information contained in the appendix to this circular.

For and on behalf of the Board

Seto Yee Woon, John

Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executives in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Interests in securities of 新茂國際科技股份有限公司, a subsidiary of the Company

Name of Director	Class of securities	Number of securities held	Nature of Interest	Approximate percentage of equity held
Seto Yee Woon, John	Ordinary shares	450,000	Personal	1.41%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to

therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and persons interested in 10% or more of the share capital of any other member of the Group

The Company

As at the Latest Practicable Date, the following interests in Shares (other than the interests of Directors or chief executive of the Company) were recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	<i>Notes</i>	Number of Shares held	Approximate percentage of existing issued Shares
Texan Management Limited	(i)	145,610,000	43.3%
Vision2000 Venture Ltd.	(ii)	106,043,142	31.5%

Notes:

- (i) All Dragon International Limited had also notified to the Company that it is deemed to be interested in the 145,610,000 Shares held by Texan Management Limited by reason of its holding a controlling interest in Texan Management Limited.
- (ii) Mosel Vitelic Inc. had also notified to the Company that it is deemed to be interested in the 106,043,142 Shares held by Vision2000 Venture Ltd. by reason of its holding a controlling interest in Vision2000 Venture Ltd.

Subsidiaries

Name of subsidiary of the Company	Name of shareholder (other than a member of the Group) who is interested in 10% or more of the subsidiary	Number of shares held in the subsidiary	Approximate percentage of the existing issued share capital of the subsidiary
新茂國際科技股份有限公司	茂福投資股份有限公司 (a company incorporated in Taiwan and a subsidiary of Mosel Vitelic Inc.)	7,744,400	24.2%

According to the register of interests in shares and short positions kept by the Company under section 336 of the SFO and so far as was known to the Directors, other than the interests disclosed above, there were no persons (other than a director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or claims which is in the opinion of the Directors of material importance and no litigation or claims which is in the opinion of the Directors of material importance is known to them to be pending or threatened against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of any compensation, other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates (within the meaning of the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. GENERAL

- (a) The transfer office of the Company is Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The secretary of the Company and the qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Chung Che Ling, Fellowship of the Association of Chartered Certified Accountants (FCCA) and Certified Public Accountant (CPA).
- (c) The English text of this circular shall prevail over the Chinese text.