



PACMOS TECHNOLOGIES HOLDINGS LIMITED

(弘 茂 科 技 控 股 有 限 公 司 *)

(incorporated in Bermuda with limited liability)

(Stock Code 1010)

ANNOUNCEMENT OF CONSOLIDATED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2004

The Directors of PacMOS Technologies Holdings Limited (“The Company”) are pleased to announce the audited consolidated results for the Company and its subsidiaries (collectively referred hereafter as “the Group”) for the year ended 31st December 2004.

AUDITED CONSOLIDATED RESULTS

For the year ended 31st December 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	163,961	121,700
Cost of sales		<u>(118,012)</u>	<u>(81,743)</u>
Gross profit		45,949	39,957
Other revenues		946	1,110
Distribution costs		(3,513)	(3,242)
General and administrative expenses		(25,562)	(28,261)
Other operating (expense)/income		<u>(99,574)</u>	<u>216,449</u>
(Loss)/profit from operations		(81,754)	226,013
Finance costs		<u>(1,234)</u>	<u>(1,627)</u>
(Loss)/profit before taxation	3	(82,988)	224,386
Taxation		<u>(2,888)</u>	<u>(1,494)</u>
(Loss)/profit before minority interests		(85,876)	222,892
Minority interests		<u>(5,512)</u>	<u>(6,180)</u>
Net (loss)/profit attributable to shareholders		<u>(91,388)</u>	<u>216,712</u>
Basic (loss)/earnings per share (HK cents)	5	<u>(27.15)</u>	<u>64.39</u>
Diluted earnings per share (HK cents)	5	<u>N/A</u>	<u>N/A</u>

NOTES TO AUDITED CONSOLIDATED RESULTS

1. Basis of Presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

2. Segment Information

An analysis of turnover and contribution to the Group's results by principal activity and geographical location is set out below:

(a) By principal activity:

	Turnover		(Loss)/profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Design, distribution and trading of integrated circuit products and provision of related agency services	160,086	117,380	15,365	5,614
Investment property holding (Note 4)	3,875	4,320	2,116	2,531
Investment holding	—	—	(94,629)	214,498
Unallocated amounts and eliminations	—	—	(4,606)	3,370
	<u>163,961</u>	<u>121,700</u>	<u>(81,754)</u>	<u>226,013</u>
Finance costs			<u>(1,234)</u>	<u>(1,627)</u>
(Loss)/profit before taxation			<u>(82,988)</u>	<u>224,386</u>

(b) By geographical location:

	Turnover		Contribution to net (loss)/profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	3,875	4,320	3,875	4,320
Taiwan	152,533	106,616	38,207	29,977
The People's Republic of China	7,553	10,764	3,867	5,660
	<u>163,961</u>	<u>121,700</u>	<u>45,949</u>	<u>39,957</u>
Other revenues			946	1,110
(Expenses)/income, net			<u>(129,883)</u>	<u>183,319</u>
(Loss)/profit before taxation			<u>(82,988)</u>	<u>224,386</u>

3. (Loss)/profit before taxation was arrived after charging and crediting the following major items:

	2004	2003
	HK\$'000	HK\$'000
Charging:		
Unrealised loss arising from mark-to-market valuation of other investments, net	94,333	—
Depreciation of fixed assets	4,323	4,070
Amortisation/impairment charge of goodwill	4,391	74
Amortisation/impairment charge of intangible assets	2,637	2,402
Staff costs	15,784	14,739
Research costs	12,177	8,374
Crediting:		
Unrealised gain arising from mark-to-market valuation of other investments, net	—	213,571
Negative goodwill recognised as income	537	800

4. Discontinuing operations

The Group entered into a provisional sale and purchase agreement on 23rd November 2004 with the an independent third party for disposal of the investment property situated at 18 Lee Chung Street, Chai Wan, Hong Kong (the “Property”) at a total cash consideration of HK\$51,700,000. The completion date for the disposal of the Property was on 10th March 2005.

The operating results of the investment property holding segment are reported in the accounts as a discontinuing operation. The results of the investment property holding segment as at and for the year ended 31st December 2004 are as follows:

	2004	2003
	HK\$'000	HK\$'000
Turnover	3,875	4,320
Cost of sales	—	—
Gross profit	3,875	4,320
Other revenues	2	13
General and administrative expenses	(1,761)	(1,802)
Profit from operations	2,116	2,531
Finance costs	(1,122)	(1,379)
Profit before taxation	994	1,152
Taxation	(190)	(299)
Profit for the year	804	853

5. (Loss)/earnings per share

The calculation of basic loss per share for the year ended 31st December 2004 is based on the consolidated net loss attributable to shareholders of approximately HK\$91,388,000 (2003: consolidated net profit of HK\$216,712,000) and 336,587,142 shares (2003: 336,587,142 shares) in issue during the year.

Diluted loss per share is not presented as there is no dilutive effect on the loss per share.

RESULTS

For the year ended 31st December 2004, the Group recorded a turnover of approximately HK\$164.0 million, as compared to that of last year of approximately HK\$121.7 million. The net loss attributable to shareholders was approximately HK\$91.4 million for the year ended 31st December 2004 as compared to a net profit of approximately HK\$216.7 million for the year ended 31st December 2003.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31st December 2004.

BUSINESS REVIEW

Design, distribution and trading of integrated circuit products and provision of related agency services

With the continued improvement in market demand, the Group recorded a turnover in this business segment of approximately HK\$160.1 million for the year ended 31st December 2004, an approximately 36% growth as compared to approximately HK\$117.4 million for the year ended 31st December 2003.

The gross profit of this segment was approximately HK\$42.10 million for the year ended 31st December 2004 as compared to approximately HK\$35.6 million for the year ended 31st December 2003, representing a growth of approximately 18%.

With effective control in general and administrative costs, the business segment achieved a net profit from operations of approximately HK\$15.4 million for the year ended 31st December 2004 as compared to approximately HK\$5.6 million for the year ended 31st December 2003.

Investment property holding

For the year under review, the rental income generated from the investment property in Hong Kong was approximately HK\$3.9 million (2003: approximately HK\$4.3 million).

In November 2004, the Group entered into a provisional sale and purchase agreement to sell the investment property to an independent third party at a cash price of HK\$51.7 million. The sale was completed in March 2005.

Investment holding

The Group is holding approximately 4.0 million shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”), which is listed in NASDAQ. ChipMOS is a leading provider of semiconductor testing and assembly services to customers in Taiwan, Japan and the United States.

The quoted market price of ChipMOS as at 31st December 2004 was approximately US\$6.37 per share as compared to that as at 31st December 2003 of approximately US\$9.39. The fluctuation in share price resulted in an unrealized loss recorded by the Group of approximately HK\$94 million for the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2004, the cash and cash equivalents held by the Group was approximately HK\$59.1 million (2003: approximately HK\$70.3 million).

For the year ended 31st December 2004, the Group recorded a net cash outflow of approximately HK\$11.2 million, in which HK\$19.5 million was cash outflow from operating activities.

As at 31st December 2004, total bank loans of the Group was amounted to approximately HK\$50.0 million (2003: approximately HK\$54.2 million). Subsequent to the year end in March 2005, the Group sold its investment property in Hong Kong and discharged the related mortgage liability of approximately HK\$30.5 million.

GEARING RATIO

During the year, the Group incurred finance costs of approximately HK\$1.2 million (2003: approximately HK\$1.6 million).

The gearing ratio of the Group, defined as total liabilities (excluding capital, reserves and minority interest) expressed as a percentage of total assets, was approximately 22.1% (2003: approximately 19.7%).

FOREIGN CURRENCY EXPOSURE

For the year under review, the Group recorded an exchange loss of approximately HK\$1.5 million, mainly due to year end evaluation of foreign currencies held, and an exchange adjustment of approximately HK\$2.8 million was credited to exchange reserve upon translation of the accounts of overseas operations.

The management will monitor the Group’s investments and borrowings carefully to ensure that they are substantially in match.

CAPITAL STRUCTURE

The total shareholders’ funds of the Group as at 31st December 2004 was approximately 256.1 million (2003: approximately HK\$344.7 million). The net loss attributable to shareholders of approximately HK\$91.4 million was debited to reserves. No issue or repurchase of the Company’s shares were made during the year.

INVESTMENTS AND CAPITAL ASSETS

No material capital investments were made during the year. Total additions to fixed assets and intangible assets were approximately HK\$1.6 million.

As at 31st December 2004, the share price of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”), the Group’s major other investment which is listed in NASDAQ was approximately US\$6.37 per share as compared to that as at 31st December 2003 of approximately US\$9.39 per share. An unrealized loss of approximately HK\$94 million was recorded due to mark to market valuation of the investment. ChipMOS is an independent provider of semiconductor testing and assembly services to customers in Taiwan, Japan and the United States. In accordance with its latest results announcement, ChipMOS achieved an unaudited net income of approximately US\$53 million for the year ended 31st December 2004 with earnings per share of approximately US\$0.84. On 22nd April 2005, the quoted market price of ChipMOS was approximately US\$6.7. The management considers that, the value of ChipMOS is not fully reflected in its share price. As disclosed in the latest annual report of ChipMOS, Mosel Vitelic Inc., an indirect substantial shareholder of the Company, owned approximately 44% of the equity shares of ChipMOS.

In November 2004, the Group sold the investment property in Hong Kong to an independent third party at a price of HK\$51.7 million. The sale was completed on 10th March 2005 subsequent to the year end. Given that the property is an industrial building, the level of rental income that can be obtained have been relatively low. The management, therefore, decided to sell the property in order to repay the outstanding mortgage loan of approximately HK\$30.5 million, in view of expecting a rising trend of Hong Kong interest rates.

We have written off the remaining balance of the goodwill arisen on acquisition of the minority interests in Shanghai SyncMOS Semiconductor Company Limited, the operating arm of the Group in the People’s Republic of China. The amount written off to profit and loss account was approximately HK\$3.5 million.

CHARGE ON ASSETS

The investment property in Hong Kong held by the Group was mortgaged to a bank with outstanding loan of approximately HK\$30.5 million as at 31st December 2004. Rentals and rental deposits of approximately HK\$2.2 million of the investment property was also assigned to the bank.

Subsequent to the year end, the investment property was sold and the mortgage was discharged.

SEGMENTAL INFORMATION

For the year under review, the business operations in Taiwan contributed approximately 93% (2003: approximately 88%) of the Group’s turnover and approximately 83% (2003: approximately 75%) of the Group’s gross profit. Please refer to note 2 to the financial statements for more details.

HUMAN RESOURCES

As a Group focusing on integrated circuit products design, the management treasures experienced and knowledgeable staff to meet the challenging business environment. We offer competitive remuneration package to competent staff including basic salaries, bonus, contributions to provident fund and medical benefits. Staff salaries are reviewed annually with reference to market level and individual staff performance.

CONTINGENT LIABILITIES

Except that the Company had provided corporate guarantee for the amount drawn of approximately HK\$30.5 million (2003: approximately HK\$34.7 million) in respect of the Group's long term bank loan, no material contingent liabilities were noted as at 31st December 2004.

FUTURE PLANS AND PROSPECTS

Looking ahead, the Group will continue to focus on the development of its main business in design and trading of integrated circuit products.

Reported forecasts generally predict that the semi-conductor industry will have a moderate single digit growth for the coming year. We believe that, with efforts of the management and our staff, we are able to meet the future challenges in the semiconductor industry.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December 2004.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluations. The Committee comprises three independent non-executive directors. Two meetings were held during the year.

COMPLIANCE WITH CODE OF BEST PRACTICE

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 throughout the year covered by this annual 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 Bye-laws of the Company.

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

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Exchange's website in due course.

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Messrs. Seto Yee Woon, John, Yip Chi Hung and Pang Hong and the independent non-executive Directors are Messrs. Wong Chi Keung, Fung Choi On and Cheng Hok Ming, Albert.

By order of the Board
Seto Yee Woon, John
Chairman

Hong Kong, 25th April 2005

* *For identification purpose only*

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