

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PACMOS TECHNOLOGIES HOLDINGS LIMITED

(弘茂科技控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1010)

CONTINUING CONNECTED TRANSACTION

The Directors announce that a new lease agreement was entered into between Mosel Vitelic Inc. as lessor, a substantial shareholder of the Company, and 新茂國際科技股份有限公司 (SyncMOS, Taiwan*) as lessee, a non wholly-owned subsidiary of the Company for the lease of office premises of Unit A (excluding Rooms 422, 423 and 428) and Unit C, Rooms 407 and 408, 4th Floor (together of a total area of 324 ping (equivalent to approximately 11,525 square feet)) and 8 car-parking spaces in Basement, No.1 Creation Road 1, Science-Based Industrial Park, Hsinchu, Taiwan at a monthly rental of NTD278,640 (equivalent to approximately HKD64,545) and at a monthly service charges of NTD117,651 (equivalent to approximately HKD27,253) for a term of two years commencing on 9 January 2006 to 8 January 2008.

The terms of the New Lease have been negotiated on an arm's length basis, in the ordinary course of business of the Company and on normal commercial terms. The Directors (including the independent non-executive Directors) considers that the above Agreement and its terms are fair and reasonable and that the transaction is in the interests of the Company and the shareholders of the Company as a whole.

The New Lease constitutes a continuing connected transaction under Rule 14A.34 of the Listing Rules, which (i) is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the approval of independent shareholders of the Company, and (ii) is subject to annual review requirements set out in Rules 14A.37-40. Details of the New Lease will be included in the next annual report and accounts of the Company as required under Rule 14A.45 of the Listing Rules during the subsistence of the New Lease.

Trading in the shares of the Company was suspended at the Company's request with effect from 9:44 a.m. on 27 September 2004 and will remain suspended pending the release of a further announcement in relation to the legal action instituted against, amongst others, Texan Management Limited, a controlling shareholder of the Company, and certain former directors of the Company. Please also refer the announcement of the Company dated 8 October 2004.

BACKGROUND

On 5 January 2004, a lease agreement (the “Current Lease”) was entered into between Mosel Vitelic Inc. (“MVI”), as lessor, and SyncMOS, Taiwan, as lessee, for the lease of office premises of Unit A (excluding Rooms 422, 423 and 428) and Unit C, Rooms 407 and 408, 4/F (together of a total area of 324 ping (equivalent to approximately 11,525 square feet)) and 15 car-parking spaces in Basement, No.1 Creation Road 1, Science-Based Industrial Park, Hsinchu, Taiwan at a monthly rental of NTD278,640 (equivalent to approximately HKD64,545) and at a monthly service charges of NTD175,758 (equivalent to approximately HKD40,713) for a term of two years commencing on 9 January 2004 (details of which have been disclosed in Company’s annual reports 2004). On 5 January 2006, the abovementioned parties entered into a new lease (the “New Lease”) in respect of the same premises. Details of the New Lease are set out below. Please make reference to the announcement of the Company dated 5 January 2004 in relation the Current Lease.

NEW LEASE DATED 5 JANUARY 2006

PARTIES TO THE NEW LEASE

Lessor: MVI, is a substantial shareholder of the Company holding approximately 31.50% of the total issued share capital of the Company.

Lessee: SyncMOS, Taiwan is a joint venture company (incorporated in Taiwan in July 2001) which are held by the Company and MVI approximately 55% and 24.20% of the total issued share capital respectively. The remaining approximately 20.8% shareholdings of SyncMOS, Taiwan, is owned as to approximately 7.12% by connected persons who are directors and/or chief executives of the Company and MVI and their subsidiaries (for details, please refer to the table below); and as to approximately 13.68% are held by (to the best of the Company’s directors’ (the “Directors”) knowledge, information and belief having made all reasonable enquiry) third parties independent of the Company and connected persons of the Company.

Name of connected person	Position of connected person	No. of shares of SyncMOS, Taiwan	Shareholding percentage
Hu Hung Chiu	director of SyncMOS, Taiwan	650,000	approximately 2.03%
Seto Yee Woon, John	director of the Company	450,000	approximately 1.41%
Tuan Hsing Ti	director of MVI	450,000	approximately 1.41%
Lee Jen Hwang	director of SyncMOS, Taiwan	300,000	approximately 0.94%
Chang Tong Long	director of MVI	229,200	approximately 0.71%
Chen Min Liang	director of MVI	150,000	approximately 0.46%
Peng Cho Lan	chief executive of SyncMOS, Taiwan	50,000	approximately 0.16%
Total:		<u>2,279,200</u>	<u>approximately 7.12%</u>

The New Lease constitutes a continuing connected transaction for the reason that MVI is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited by virtue of the fact that MVI is a substantial shareholder of the Company representing approximately 31.50% of the total issued share capital of the Company.

TERMS OF THE NEW LEASE

Subject Premises and area:	Office premises of Unit A (excluding Rooms 422, 423 and 428) and Unit C, Rooms 407 and 408, 4/F (together of a total area of 324 ping (equivalent to approximately 11,525 square feet)) and 8 car-parking spaces in Basement, No.1 Creation Road 1, Science-Based Industrial Park, Hsinchu, Taiwan
Deposit:	3 months' rental amounting to NTD835,920 (equivalent to approximately HKD193,634)
Rental:	NTD278,640 (equivalent to approximately HKD64,545) (exclusive of tax) per month and payable every 3 months in advance
Service charges:	NTD117,651 (equivalent to approximately HKD27,253) (exclusive of tax) per month including water, air conditioning and electricity charges (including maintenance fees), car parking and janitor services fees
Term:	From 9 January, 2006 to 8 January, 2008
	Renewable subject to the consent of the Lessor in writing three months before the expiry of the New Lease
	Both lessor and lessee can terminate the New Lease at any time in writing with two months prior notice of termination to the opposite party

The terms of the New Lease are arrived at after arm's length negotiation and are on normal commercial terms by reference to open market rental as appraised by an independent valuer for comparable premises.

REASONS FOR ENTERING INTO THE NEW LEASE

The leased premises were continuously used for the office of SyncMOS, Taiwan since its incorporation in 20 July 2001 including research and development, planning, marketing, general and administration, and system engineering departments. It is considered most favorable to retain the existing premises to avoid business interruption and to renew the Current Lease with a fair market rental rate.

Due to the reasons stated above, the Directors including the independent non-executive Directors, are of the opinion that the terms of the New Lease (i) are on arm's length basis, (ii) are fair and reasonable, (iii) are on normal commercial terms, and (iv) are no less favorable to the Company and its subsidiaries than terms available from independent third parties, and that the transaction is in the interests of the Company and the shareholders of the Company as a whole.

The New Lease is a renewal of the Current Lease as disclosed in the announcement dated 5 January 2004 which will be expired on 9 January 2006. Save as disclosed below, the rental and all other terms of the New Lease are the same as the Current Lease:

(1) the car-parking space is reduced from 15 to 8; (2) in order to develop SyncMOS, Taiwan's own MIS system, SyncMOS, Taiwan will cease to use the MIS system provided by MVI after the expiry of the Current Lease, thus the monthly service charges is reduced from NTD258,370 (equivalent to approximately HKD59,849) to NTD117,651 (equivalent to approximately HKD27,253); and both of the rental and service charges are not subject to price index adjustment under the New Lease.

PRINCIPAL BUSINESSES

The principal businesses of the Company are the design, sale and distribution of integrated circuits products and other investments.

The business of SyncMOS, Taiwan is principally engaged in the wholesale of electronic materials and components and the provision of industrial and commercial services (including research and development of electronic materials and components) and products design.

The business of MVI is to develop, manufacture and market of large size integrated circuits and related electronic components, such as DRAM and SRAM.

DISCLOSURE

On the basis of the fixed monthly rental and service charges of NTD396,291 (equivalent to approximately HKD91,798), the aggregate amount to be paid per annum by the Group to MVI under the New Lease for each of the 2 years ending on 9 January 2008 will be both NTD4,755,492 (equivalent to approximately HKD1,101,574), resulting in the applicable percentage ratios being more than 0.1% but less than 2.5%. The New Lease constitutes a continuing connected transaction of the Company under Rule 14A.34, which (i) is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the approval of independent shareholders of the company, and (ii) subject to annual review requirements set out in Rules 14A.37-40. Details of the New Lease will be included in the next annual report and accounts of the Company as required under Rule 14A. 45 of the Listing Rules during the subsistence of the New Lease.

Trading in the shares of the Company was suspended at the Company's request with effect from 9:44 a.m. on 27 September 2004 and will remain suspended pending the release of a further announcement in relation to the legal action instituted against, amongst others, Texan Management Limited, a controlling shareholder of the Company, and certain former directors of the Company. Please also refer the announcement of the Company dated 8 October 2004.

As at the date of this announcement, the Company's Board comprises Mr CHENG Hok Ming Albert, Mr WONG Chi Keung and Mr MA Kwai Yuen, being the independent non-executive directors, and Mr SETO Yee Woon John and Mr YIP Chi Hung, being the executive directors.

By Order of the Board
PacMOS Technologies Holdings Limited
Seto Yee Woon John
Chairman

Hong Kong, 5 January 2006

Unless otherwise specified, the translation of NTD into HKD is based on the exchange rate of NTD4.317: HKD1.00.

* *For identification purpose only.*

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