



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 31 DECEMBER 2006

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 31 December 2006.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2006	2005
		HK\$'000	HK\$'000
Continuing operations:			
Sales	2	125,552	147,961
Cost of sales	3	(93,662)	(116,299)
Gross profit		31,890	31,662
Other income	2	3,741	795
Distribution costs	3	(4,016)	(3,989)
General and administrative expenses	3	(31,334)	(32,751)
Other gains/(losses) — net	4	28,951	(16,922)
Operating profit/(loss)		29,232	(21,205)
Finance costs	5	—	(193)
Profit/(loss) before income tax		29,232	(21,398)
Income tax credit/(expense)	6	355	(1,367)
Profit/(loss) for the year from continuing operations		29,587	(22,765)
Discontinued operation:			
Loss for the year from discontinued operation		—	(874)
Profit/(loss) for the year		29,587	(23,639)
Attributable to:			
Equity holders of the Company		25,446	(26,655)
Minority interests		4,141	3,016
		29,587	(23,639)
Earning/(loss) per share for profit/(loss)			
attributable to the equity holders of the			
Company during the year			
(basic) (HK cents)			
— continuing operations	7	7.56	(7.66)
— discontinued operation		—	(0.26)
		7.56	(7.92)

* For identification purpose only.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,795	4,071
Intangible assets		865	1,294
Long-term deposit		735	717
Deferred income tax assets		1,751	—
		<u>7,146</u>	<u>6,082</u>
Current assets			
Inventories		12,226	18,425
Trade receivables	8	14,312	15,926
Prepayments, deposits and other receivables		5,747	6,754
Financial assets at fair value through profit or loss		189,482	175,890
Amount due from a related company		—	359
Restricted bank deposits		245	239
Cash and cash equivalents		102,642	78,232
		<u>324,654</u>	<u>295,825</u>
Total assets		<u>331,800</u>	<u>301,907</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary shares		33,659	33,659
Share premium		101,263	101,263
Other reserves		3,861	1,854
Retained earnings		117,894	92,959
		<u>256,677</u>	<u>229,735</u>
Minority interests		43,363	41,461
Total equity		<u>300,040</u>	<u>271,196</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		—	1,300
Current liabilities			
Trade payables	9	15,737	15,723
Other payables and accruals		12,537	10,773
Amount due to a related company		2,349	1,462
Current income tax liabilities		1,137	1,453
		<u>31,760</u>	<u>29,411</u>
Total liabilities		<u>31,760</u>	<u>30,711</u>
Total equity and liabilities		<u>331,800</u>	<u>301,907</u>
Net current assets		<u>292,894</u>	<u>266,414</u>
Total assets less current liabilities		<u>300,040</u>	<u>272,496</u>

NOTES

1. Basis of preparation

The consolidated financial statements of PacMOS Technologies Holdings Limited 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 the financial assets at fair value through profit or loss.

- (i) Amendment and interpretation to existing standards effective in 2006 and are relevant to the Group’s operations

The following amendment and interpretation to existing standards and interpretations are mandatory for financial year ended 31 December 2006 and are relevant to its operations.

- HKAS 39 (Amendment) The Fair Value Option
- HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The amendment and interpretation to existing standards and interpretations above do not have material impacts to the Group.

2. Turnover, revenue and segment information

The Group is principally engaged in design and distribution of integrated circuits and semi-conductor parts and investments holding.

- (a) *Revenues recognised during the year are as follows:*

	2006 <i>HK\$’000</i>	2005 <i>HK\$’000</i>
Turnover		
Sale of integrated circuits and semi-conductor parts	125,552	147,961
Other income		
Bank interest income	1,791	724
Sundry income	1,950	71
	3,741	795
Total revenues	129,293	148,756

- (b) *Segment information*

More than 90% of the Group’s revenue and operating profit was attributable to its design and distribution of integrated circuits and semi-conductor parts. Accordingly, no analysis by business segment is included in these financial statements.

Segment information is presented by way of geographical regions as the primary reporting format. An analysis of the Group segment information by geographical segment is set out as follows.

	2006			
	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenues	—	121,561	3,991	125,552
Operating profit/(loss)	<u>21,878</u>	<u>8,674</u>	<u>(1,320)</u>	29,232
Income tax credit				355
Profit for the year				<u>29,587</u>
Assets	201,736	119,717	10,347	331,800
Liabilities	<u>(1,498)</u>	<u>(23,359)</u>	<u>(6,903)</u>	<u>(31,760)</u>
Capital expenditures	21	1,031	283	1,335
Depreciation	298	1,243	96	1,637
Amortisation	—	483	21	504
Reversal of provision for impairment loss of trade receivables	—	(205)	—	(205)
(Reversal of)/provision for impairment loss of inventories	—	(1,168)	906	(262)
Financial assets at fair value through profit or loss:				
— unrealised fair value gains	27,617	—	—	27,617
— realised fair value gains	<u>1,979</u>	<u>—</u>	<u>—</u>	<u>1,979</u>
			2005	
	Hong Kong <i>HK\$'000</i>	Taiwan <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Continuing operations:				
Revenues	—	142,987	4,974	147,961
Operating (loss)/profit	<u>(30,787)</u>	<u>8,038</u>	<u>1,544</u>	(21,205)
Finance costs	(193)	—	—	(193)
Loss before taxation				(21,398)
Income tax expense				(1,367)
Loss for the year from continuing operations				(22,765)
Discontinued operation:				
Loss for the year from discontinued operation				(874)
Loss for the year				<u>(23,639)</u>
Assets	183,830	113,143	4,934	301,907
Liabilities	<u>(4,501)</u>	<u>(21,125)</u>	<u>(5,085)</u>	<u>(30,711)</u>
Capital expenditures	1,363	1,087	29	2,479
Depreciation	170	2,441	216	2,827
Amortisation	—	344	21	365
Impairment loss of trade receivables	—	251	—	251
(Reversal of)/provision for impairment loss of inventories	—	(266)	627	361
Financial assets at fair value through profit or loss:				
— unrealised fair value losses	(17,351)	—	—	(17,351)
— realised fair value gains	<u>47</u>	<u>—</u>	<u>—</u>	<u>47</u>

3. Expenses by nature

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Amortisation of intangible assets	504	365
Auditors' remuneration	1,296	1,235
Depreciation	1,637	2,827
Operating lease rentals in respect of land and buildings	3,730	3,035
(Reversal of)/provision for impairment of inventories	(262)	361
(Reversal of)/provision for impairment of trade receivables	(205)	251
Research and development costs	14,645	14,759
Employee benefit expenses (including Directors' emoluments)	19,353	20,813
Cost of inventory sold	90,207	112,730
	<u>90,207</u>	<u>112,730</u>

4. Other gains/(losses) – net

Other gains/(losses) recognised during the year are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Financial assets at fair value through profit or loss:		
— realised fair value gains	1,979	47
— unrealised fair value gains/(losses)	27,617	(17,351)
Exchange (losses)/gains, net	(645)	382
	<u>(645)</u>	<u>382</u>
Total other gains/(losses)	28,951	(16,922)
	<u>28,951</u>	<u>(16,922)</u>

5. Finance costs

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest expense on bank loan		
— wholly repayable within five years	—	193
	<u>—</u>	<u>193</u>

6. Income tax (credit)/expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current income tax		
— Overseas taxation	1,816	1,367
— Underprovision in prior years	880	—
Deferred income tax	(3,051)	—
	<u>(355)</u>	<u>—</u>
	<u>(355)</u>	<u>1,367</u>

7. Earning/(loss) per share

The calculation of basic earning/(loss) per share is based on the profit/(loss) for the year attributable to the equity holder of approximately HK\$25,446,000 (2005: loss of HK\$26,655,000) and 336,587,142 shares (2005: 336,587,142 shares) in issue during the year. Details of basic earning/(loss) per share are analysed as follows:

	2006 <i>HK cents</i>	2005 <i>HK cents</i>
Basic earning/(loss) per share		
Continuing operations	7.56	(7.66)
Discontinued operation	—	(0.26)
	<u>7.56</u>	<u>(7.92)</u>

The diluted earning/(loss) per share is not presented as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2006 and 2005.

8. Trade receivables

At 31 December 2006, the aging analysis of trade receivables was as follows:

	<u>Group</u>	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 — 90 days	14,362	16,091
91 — 180 days	—	87
	<u>14,362</u>	<u>16,178</u>
<i>Less:</i> Provision for impairment	(50)	(252)
	<u>14,312</u>	<u>15,926</u>

The Group normally grants credit periods to customers ranging from 30 days to 90 days.

The carrying amount of trade receivables is approximately its fair value as at 31 December 2006.

9. Trade payables

At 31 December 2006, the aging analysis of trade payables of the Group was as follows:

	<u>Group</u>	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0 — 90 days	15,737	15,692
91 — 180 days	—	31
	<u>15,737</u>	<u>15,723</u>

The carrying amount of trade payables is approximately their fair value as at 31 December 2006.

RESULTS

For the year under review, the Group achieved a turnover of approximately HK\$125.6 million, as compared to that of last year of approximately HK\$148.0 million. The profit attributable to shareholders for the current year amounted to approximately HK\$25.4 million, as compared to a loss of approximately HK\$26.7 million in last year.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2006.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

Facing competition, the turnover of the Group reduced to approximately HK\$125.6 million for the year under review as compared to that of last year of approximately HK\$148.0 million. In respect of profit margins, the Group achieved an improved gross profit margin of approximately 25.4% for the current year under review, as compared to that of last year of approximately 21.4%. For the year under review, the business recorded an operating profit of approximately HK\$7.4 million (2005: approximately HK\$9.6 million).

Investments holding

As at 31 December 2006, the Company held approximately 3.6 million shares of ChipMOS Technologies (Bermuda) Limited (“ChipMOS”). ChipMOS, listed in NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

During the year, the Company realised approximately 310,000 shares of ChipMOS at prices from US\$6.0 to US\$7.26. The net realised gain was approximately HK\$2.0 million.

As at 31 December 2006, the market price of ChipMOS was US\$6.79 as compared to US\$5.80 as at 31 December 2005. Consequently, an unrealised gain of approximately HK\$27.6 million was recorded due to mark to market valuation of the shares for the year under review.

FUTURE PLANS AND PROSPECTS

To strengthen our competitive advantage, we are planning to migrate to a more advanced production process for our integrated circuit products in the coming year. We expect that such migration will improve our overall cost efficiency and scope of new product applications.

We shall continue to focus our efforts in our current main business of design and distribution of integrated circuit products. In addition, we are also looking for new investment opportunities in order to increase our shareholders’ return.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the cash and cash equivalents of the Group amounted to approximately HK\$102.6 million (2005: approximately HK\$78.2 million).

For the year under review, the group recorded a net cash inflow of approximately HK\$24.4 million, which included inflows of approximately HK\$8.4 million from operating activities and approximately HK\$16.5 million from investing activities.

GEARING RATIO

As at 31 December 2006, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of total assets, was approximately 9.6% (2005: approximately 10.2%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2006, the total liabilities (mainly trade payables) of the Group were approximately HK\$31.8 million (2005: approximately HK\$30.7 million).

FOREIGN CURRENCY EXPOSURE

As the Group’s main operation is in Taiwan, it is exposed to exchange fluctuations of New Taiwan dollars. However, such risk is expected not to be significant under the current economic environment.

For the year under review, a net exchange loss of approximately HK\$0.6 million (2005: exchange gain of approximately HK\$0.4 million) was recognised in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK\$1.3 million were credited to exchange reserve.

CAPITAL STRUCTURE

The profit attributable to shareholders for the year under review of approximately HK\$25.4 million was transferred to retained earnings. There was no change in the capital of the Company for the year under review. As at 31 December 2006, the shareholders' fund amounted to approximately HK\$256.7 million (2005: approximately HK\$229.7 million).

INVESTMENTS AND CAPITAL ASSETS

The Company held approximately 3.6 million shares of ChipMOS which is listed on NASDAQ. According to its latest announcement, for the year ended 31 December 2006, ChipMOS achieved an unaudited net income of approximately US\$38.4 million with earnings per share of approximately US\$0.56 per share.

During the year under review, the Group acquired property, plant and equipment and intangible assets of approximately HK\$1.3 million (2005: approximately HK\$2.5 million).

CHARGES ON ASSETS

As at 31 December 2006, restricted bank deposits amounted to approximately HK\$0.2 million (2005: approximately HK\$0.2 million) which were mainly for the purpose of securing payment of value added tax.

SEGMENT INFORMATION

For the year under review, approximately 97% of turnover of the Group was generated in Taiwan. The Taiwan operations recorded an operating profit of approximately HK\$8.7 million (2005: approximately HK\$8.0 million), while the operations in Shanghai recorded an operating loss of approximately HK\$1.3 million (2005: operating profit of approximately HK\$1.5 million).

HUMAN RESOURCES

During the year, an employee share option scheme was established by the Company's subsidiary in Taiwan, 新茂國際科技股份有限公司, to retain high-calibre employees. The management believes that it is in line with modern commercial practice that eligible employees should be given incentives in the form of options to work towards enhancing the value of the subsidiary and the Group as a whole.

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. The headcount of the Group as at 31 December 2006 was approximately 82.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

During the year, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited except the following deviations from Code A.4.1 and A.4.2:

1. subsequent to the publication of the Corporate Governance Report in the 2005 Annual Report and at the 2006 Annual General Meeting, a special resolution was passed to amend the bye-laws of the Company to the effect that (a) any director elected in general meeting by ordinary resolution to fill a casual vacancy or as an addition to the Board shall be subject to rotation and retirement requirement at annual general meeting, at which 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; (b) any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting; and (c) every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years; and
2. the Independent Non-executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

In April 1999, the Company established an audit committee with written terms of reference adopted which were subsequently amended in early April 2006. The audit committee comprises solely independent non-executive directors, namely Messrs. Wong Chi Keung (Chairman), Cheng Hok Ming, Albert and Ma Kwai Yuen. Its primary responsibilities include reviewing and supervising the Company’s financial reporting process and internal control systems. The Audit Committee and the management have reviewed the accounting principles and practices which adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. The audit committee has also reviewed the audited financial statements of the Group for the year ended 31 December 2006.

On behalf of the Board
Yip Chi Hung
Chairman

Hong Kong, 11 April 2007

Compositions of the Board of Directors as at 11 April 2007

Executive directors:

Mr. Yip Chi Hung
Mr. Chen Che Yuan

Independent non-executive directors:

Mr. Wong Chi Keung
Mr. Cheng Hok Ming, Albert
Mr. Ma Kwai Yuen

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