



PacMOS
Technologies Holdings Limited

(Stock Code: 1010)

Interim Report **2007**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Yip Chi Hung (*Chairman*)
Chen Che Yuan (*Chief Executive Officer*)

Independent Non-executive Directors

Wong Chi Keung
Cheng Hok Ming, Albert
Ma Kwai Yuen

BOARD COMMITTEES

Audit Committee

Wong Chi Keung (*chairman*)
Cheng Hok Ming, Albert
Ma Kwai Yuen

Remuneration Committee

Wong Chi Keung (*chairman*)
Cheng Hok Ming, Albert
Ma Kwai Yuen
Yip Chi Hung

Nomination Committee

Wong Chi Keung (*chairman*)
Cheng Hok Ming, Albert
Ma Kwai Yuen
Yip Chi Hung

COMPANY SECRETARY

Chung Che Ling

WEBSITE

<http://pacmos.etnet.com.hk>

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

27th Floor, Cambridge House
Taikoo Place
979 King's Road
Island East
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking
Corporation Limited

CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited 30 June 2007 HK\$'000 | Audited 31 December 2006 HK\$'000 |
|---|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Plant and equipment | 9 | 3,714 | 3,795 |
| Intangible assets | 9 | 711 | 865 |
| Long-term deposits | | 723 | 735 |
| Deferred income tax assets | | 1,723 | 1,751 |
| Total non-current assets | | 6,871 | 7,146 |
| Current assets | | | |
| Inventories | | 21,869 | 12,226 |
| Trade receivables | 10 | 19,632 | 14,312 |
| Prepayments, deposits and other receivables | | 4,669 | 5,747 |
| Financial assets at fair value through profit or loss | 11 | 191,620 | 189,482 |
| Restricted bank deposits | | 241 | 245 |
| Cash and cash equivalents | | 93,068 | 102,642 |
| Total current assets | | 331,099 | 324,654 |
| Total assets | | 337,970 | 331,800 |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 12 | 33,659 | 33,659 |
| Reserves | | 233,590 | 223,018 |
| Shareholders' funds | | 267,249 | 256,677 |
| Minority interests | | 39,300 | 43,363 |
| Total equity | | 306,549 | 300,040 |

| | | Unaudited | Audited |
|--|-------------|------------------|-----------------|
| | | 30 June | 31 December |
| | | 2007 | 2006 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | <i>13</i> | 12,237 | 15,737 |
| Other payables and accruals | | 12,977 | 12,537 |
| Amount due to a related company | <i>14</i> | 2,063 | 2,349 |
| Current income tax liabilities | | 855 | 1,137 |
| Dividend payable | | 3,289 | — |
| Total current liabilities | | 31,421 | 31,760 |
| Total liabilities | | 31,421 | 31,760 |
| Total equity and liabilities | | 337,970 | 331,800 |
| Net current assets | | 299,678 | 292,894 |
| Total assets less current liabilities | | 306,549 | 300,040 |

The notes on pages 7 to 15 form an integral part of these condensed financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Note | Unaudited Six months ended 30 June | |
|-------------------------------------|------|---------------------------------------|------------------|
| | | 2007 HK\$'000 | 2006 HK\$'000 |
| Revenue | 3 | 57,842 | 62,078 |
| Cost of sales | 4 | (42,493) | (44,938) |
| Gross profit | | 15,349 | 17,140 |
| Distribution costs | 4 | (1,893) | (1,349) |
| General and administrative expenses | 4 | (16,644) | (15,636) |
| Other income | 3 | 1,615 | 201 |
| Other gains — net | 5 | 11,720 | 3,251 |
| Operating profit | | 10,147 | 3,607 |
| Finance income | | 990 | 630 |
| Profit before income tax | | 11,137 | 4,237 |
| Income tax expense | 6 | (844) | (263) |
| Profit for the period | | 10,293 | 3,974 |
| Attributable to: | | | |
| Equity holders of the Company | | 10,359 | 1,493 |
| Minority interest | | (66) | 2,481 |
| | | 10,293 | 3,974 |
| Basic earnings per share | 7 | 3.08 cents | 0.44 cents |
| Diluted earnings per share | | N/A | N/A |
| Dividends | 8 | — | — |

The notes on pages 7 to 15 form an integral part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | | | | |
|---|---|-----------------|------------------|---|-------------------------|-------------------|-----------------|-------------------|-----------------|
| | Attributable to equity holders of the Company | | | | | | | | |
| | Share capital | Share premium | Exchange reserve | Employee share-based compensation reserve | Other statutory reserve | Retained earnings | Total | Minority interest | Total equity |
| <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at 1 January 2006 | 33,659 | 101,263 | 319 | — | 1,535 | 92,959 | 229,735 | 41,461 | 271,196 |
| Transfer to Taiwan statutory reserve | — | — | — | — | 510 | (510) | — | — | — |
| Currency translation differences | — | — | 215 | — | — | — | 215 | 180 | 395 |
| Dividend to minority shareholders of a subsidiary | — | — | — | — | — | — | — | (3,318) | (3,318) |
| Profit for the period | — | — | — | — | — | 1,493 | 1,493 | 2,481 | 3,974 |
| Balance at 30 June 2006 | 33,659 | 101,263 | 534 | — | 2,045 | 93,942 | 231,443 | 40,804 | 272,247 |
| Balance at 1 January 2007 | 33,659 | 101,263 | 1,619 | 196 | 2,046 | 117,894 | 256,677 | 43,363 | 300,040 |
| Transfer to Taiwan statutory reserve | — | — | — | — | 506 | (506) | — | — | — |
| Currency translation differences | — | — | (798) | — | — | — | (798) | (708) | (1,506) |
| Dividend to minority shareholders of a subsidiary | — | — | — | — | — | — | — | (3,289) | (3,289) |
| Employee share-based compensation scheme | — | — | — | 1,011 | — | — | 1,011 | — | 1,011 |
| Profit for the period | — | — | — | — | — | 10,359 | 10,359 | (66) | 10,293 |
| Balance at 30 June 2007 | 33,659 | 101,263 | 821 | 1,207 | 2,552 | 127,747 | 267,249 | 39,300 | 306,549 |

The notes on pages 7 to 15 form an integral part of these condensed financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Cash (outflow)/inflow from operating activities | | |
| Cash (used in)/generated from operations | (18,177) | 7,586 |
| — Interest received | 990 | 630 |
| Net cash (used in)/generated from operating activities | (17,187) | 8,216 |
| Cash flows from investing activities | | |
| — Purchase of plant and equipment | (705) | (264) |
| — Purchase of intangible assets | (160) | (52) |
| — Purchase of financial assets at fair value through profit and loss | (3,313) | — |
| — Proceeds from disposal of financial assets at fair value through profit and loss | 12,731 | 11,092 |
| — Decreased in pledged deposits | 4 | — |
| Net cash generated from investing activities | 8,557 | 10,776 |
| Net (decrease)/increase in cash and cash equivalents | (8,630) | 18,992 |
| Cash and cash equivalents at 1 January | 102,642 | 78,232 |
| Exchange (losses)/gains | (944) | 454 |
| Cash and cash equivalents at 30 June | 93,068 | 97,678 |
| Analysis of cash and cash equivalent balances | | |
| Cash at bank and in hand | 93,068 | 97,678 |

The notes on pages 7 to 15 form an integral part of these condensed financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in design and distribution of integrated circuits and semi-conductor parts and investments holding.

The Company is a limited liability company incorporated in Bermuda. The address of the principal place of business of the Company is 27th Floor, Cambridge House, Taikoo Place, 979 King’s Road, Island East, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. They have been approved for issue by the Board of Directors of the Company on 20 September 2007.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certificate Public Accountants (“HKICPA”) and applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual report of the Group for the year ended 31 December 2006.

The accounting policies and methods of computations adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual report for the year ended 31 December 2006.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with those HKAS, Hong Kong Financial Reporting Standards (“HKFRS”) and interpretations of HKAS (together “HKFRSs”) issued and effective as at the time of preparing these unaudited condensed consolidated interim financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007 and are relevant to the Group’s operations.

- HKFRS 7, “Financial instruments: Disclosures”, and the complementary Amendment to HKAS 1, “Presentation of Financial Statements — Capital Disclosures” (effective for annual periods beginning on or after 1 January 2007), HKFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments; and Amendment to HKAS 1 requires the disclosure of information that enables users of financial statements to evaluate the entity’s objective, policies and processes for managing capital. The Group has adopted the standards starting from 1 January 2007, and the disclosures as required by these standards will be disclosed in the Group’s 2007 annual report.

- HK(IFRIC)-Int 8, “Scope of HKFRS 2” (effective for annual periods beginning on or after 1 May 2006), requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. This interpretation has no material financial impact on the Group, and does not result in substantial changes to the Group’s accounting policies, financial statements disclosures or presentation as compared to that used in the preparation of the financial statements as of and for the year ended 31 December 2006.
- HK(IFRIC)-Int 10, “Interim Financial Reporting and Impairment” (effective for annual periods beginning on or after 1 November 2006), prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation has no material financial impact on the Group.

The following new standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- HKFRS 8, “Operating segments”, effective for annual periods beginning on or after 1 January 2009;
- HK(IFRIC)-Int 11, “Group and treasury share transactions”, effective for annual periods beginning on or after 1 March 2007; and
- HK(IFRIC)-Int 12, “Service concession arrangements”, effective for annual periods beginning on or after 1 January 2008.

Management is assessing the impact of the above new standards and interpretations, which have been issued but are not effective for 2007, on the Group’s operations.

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention.

3. 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 period are as follows:

| | Unaudited | |
|---|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$’000 | HK\$’000 |
| Revenue | | |
| Sales of integrated circuits and semi-conductor parts | 57,842 | 62,078 |
| Other income | | |
| Rental income | 121 | 119 |
| Sundry income | 1,494 | 82 |
| | 1,615 | 201 |
| Total revenues | 59,457 | 62,279 |

(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:

| | Six months ended 30 June 2007 | | | |
|-------------------------|-------------------------------|--------------------|-----------------|-------------------|
| | Hong Kong HK\$'000 | Taiwan HK\$'000 | PRC HK\$'000 | Total HK\$'000 |
| Revenues | — | 51,812 | 6,030 | 57,842 |
| Operating profit/(loss) | 8,530 | (611) | 2,228 | 10,147 |
| Assets | 209,970 | 116,590 | 11,410 | 337,970 |
| Liabilities | (1,628) | (24,039) | (5,754) | (31,421) |
| Capital expenditures | 11 | 729 | 125 | 865 |

| | Six months ended 30 June 2006 | | | |
|-------------------------|-------------------------------|--------------------|-----------------|-------------------|
| | Hong Kong HK\$'000 | Taiwan HK\$'000 | PRC HK\$'000 | Total HK\$'000 |
| Revenues | — | 60,676 | 1,402 | 62,078 |
| Operating profit/(loss) | 1,117 | 4,785 | (2,295) | 3,607 |
| Assets | 201,736 | 119,717 | 10,347 | 331,800 |
| Liabilities | (1,498) | (23,359) | (6,903) | (31,760) |
| Capital expenditures | 2 | 76 | 238 | 316 |

4. Expenses by nature

Expenses included in cost of sales, distribution costs and general and administrative expenses are analysed as follows:

| | Unaudited | |
|--|--------------------------|----------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Amortisation of intangible assets | 300 | 288 |
| Auditors' remuneration | 900 | 937 |
| Depreciation of plant and equipment | 777 | 854 |
| Operating lease rentals in respect of land and building | 1,994 | 1,642 |
| Reversal for impairment of trade receivables | (41) | (249) |
| Research and development costs | 969 | 1,180 |
| Distribution costs | 736 | 743 |
| Employee benefit expenses (including Directors' emoluments) | 10,618 | 10,468 |
| Cost of inventory sold | 41,001 | 42,877 |
| Others | 3,776 | 3,183 |
| Total cost of sales, distribution costs and administrative expenses | 61,030 | 61,923 |

5 Other gains — net

Other gains recognised during the period are as follows:

| | Unaudited | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Financial assets at fair value through profit and loss: | | |
| — Realised fair value gains | 1,039 | 1,823 |
| — Unrealised fair value gains | 10,517 | 2,292 |
| Exchange gains/(losses) | 164 | (864) |
| Total other gains — net | 11,720 | 3,251 |

6. Income tax expense

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profit for the period. Overseas tax has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates.

The amount of tax charged to the condensed consolidated income statement represents:

| | Unaudited | |
|-------------------------------|--------------------------|------------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| — Hong Kong profits tax (i) | — | — |
| — Overseas tax | 844 | 755 |
| Under provision in prior year | — | 808 |
| Deferred income tax | — | (1,300) |
| | 844 | 263 |

- (i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2006: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of approximately HK\$10,359,865 (2006: profit of HK\$1,493,045) and 336,587,142 shares (2006: 336,587,142 shares) in issue during the period. Details of basic earnings per share are analysed as follows:

| | Unaudited | |
|--------------------------|--------------------------|----------|
| | Six months ended 30 June | |
| | 2007 | 2006 |
| | HK cents | HK cents |
| Basic earnings per share | 3.08 | 0.44 |

As there are no dilutive potential ordinary shares as at 30 June 2007 and 2006, the dilutive earnings per share equals to the basic earnings per share.

8. Dividends

The directors do not recommend the payment of a dividend (six months ended 30 June 2006: Nil).

9. Capital expenditure

| | Plant and equipment | Intangible assets | Total |
|---|--------------------------------|------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Opening net book amount as at 1 January 2006 | 4,071 | 1,294 | 5,365 |
| Additions | 264 | 52 | 316 |
| Depreciation and amortisation | (854) | (288) | (1,142) |
| Currency translation differences | 44 | 22 | 66 |
| Closing net book amount as at 30 June 2006 | 3,525 | 1,080 | 4,605 |
| Opening net book amount as at 1 January 2007 | 3,795 | 865 | 4,660 |
| Additions | 705 | 160 | 865 |
| Depreciation and amortisation | (777) | (300) | (1,077) |
| Currency translation differences | (9) | (14) | (23) |
| Closing net book amount as at 30 June 2007 | 3,714 | 711 | 4,425 |

10. Trade receivables

The Group normally allows an average credit period of 30 to 90 days to its customers. An aging analysis of trade receivables is as follows:

| | Unaudited 30 June 2007 HK\$'000 | Audited 31 December 2006 HK\$'000 |
|---|--|--|
| 0 to 90 days | 19,640 | 14,362 |
| Less: Provision for impairment of receivables | (8) | (50) |
| | 19,632 | 14,312 |

11. Financial assets at fair value through profit or loss

| | Unaudited 30 June 2007 HK\$'000 | Audited 31 December 2006 HK\$'000 |
|-----------------------------------|--|--|
| Listed equity securities in | | |
| — United States of America | 188,240 | 189,460 |
| — Hong Kong | 3,380 | 22 |
| Market value of listed securities | 191,620 | 189,482 |

Changes in fair value of the financial assets at fair value through profit or loss are recorded in other gains in the condensed consolidated income statement.

The fair value of all equity securities is based their bid prices in an active market as at 30 June 2007.

12. Share capital

| | Unaudited 30 June 2007 HK\$'000 | Audited 31 December 2006 HK\$'000 |
|--|--|--|
| <i>Authorised:</i> | | |
| 500,000,000 ordinary share of HK\$0.1 each | 50,000 | 50,000 |
| <i>Issued and fully paid:</i> | | |
| 336,587,142 ordinary share of HK\$0.1 each | 33,659 | 33,659 |

13. Trade payables

At 30 June 2007, the aging analysis of the trade payables is as follows:

| | Unaudited 30 June 2007 HK\$'000 | Audited 31 December 2006 HK\$'000 |
|----------------|--|--|
| 0 to 90 days | 12,215 | 15,737 |
| 91 to 180 days | 22 | — |
| | 12,237 | 15,737 |

14. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) During the period, the Group undertook the following significant transactions with related parties:

| | Note | Unaudited Six months ended 30 June | |
|--|-------|---------------------------------------|------------------|
| | | 2007 HK\$'000 | 2006 HK\$'000 |
| Rental income from Fong Wing Shing Construction Company Limited ("Fong Wing Shing") | (i) | 121 | 119 |
| Expenses paid/payable to Mosel Vitelic Inc. ("MVI") | | | |
| Rental expenses | (ii) | — | 412 |
| Management fees | (ii) | — | 257 |
| Design service fees | (iii) | 111 | 447 |
| Technical service fees | (iii) | 338 | 327 |
| | | 449 | 1,443 |

- (i) The rental was charged to related companies based on the floor area occupied.
- (ii) During the six months ended 30 June 2006, the rental and management fees payable to MVI were charged by reference to open market rental as appraised by an independent valuer for comparable premises.
- (iii) The design service fees and technical service fees payable to MVI were at a price mutually agreed between the parties.

(b) Amount due to a related company was as follows:

| | Unaudited 30 June 2007 HK\$'000 | Audited 31 December 2006 HK\$'000 |
|---------------|--|--|
| Due to MVI | 2,063 | 2,349 |

Balance with a related company was unsecured, interest-free and repayable on demand.

The carrying amount of amount due to a related company is approximate to its fair value.

(c) *Key management compensation*

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2007 HK\$'000 | 2006 HK\$'000 |
| Salaries, allowances and benefits in kind | 366 | 369 |
| Bonus | 209 | 90 |
| Retirement benefit costs | 4 | 91 |
| | 579 | 550 |

15. **Commitments**

At 30 June 2007, the total future minimum lease payments payable under non-cancellable operating leases were as follows:

| | Unaudited | Audited |
|--|-----------------------------|---------------------------------|
| | 30 June 2007 HK\$'000 | 31 December 2006 HK\$'000 |
| Total future minimum lease payments payable: | | |
| — Not later than 1 year | 2,801 | 3,170 |
| — Later than 1 year and not later than 5 years | 930 | 1,779 |
| | 3,731 | 4,949 |

RESULTS

For the six months ended 30 June 2007, the Group recorded a turnover of approximately HK\$57.8 million, as compared to that of the corresponding period last year of approximately HK\$62.1 million. The profit attributable to shareholders was approximately HK\$10.4 million as compared to approximately HK\$1.5 million for the corresponding period last year.

DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 30 June 2007.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

Due to market competition, the turnover decreased by approximately 7% for the period under review as compared to the corresponding period last year.

For the period under review, the sales and profit margin of the Group's operation in Shanghai improved due to successful launch of a new product. However, market competition and subcontracting costs increases has eroded the profit margin of the Group's operation in Taiwan. As a result, the Group recorded a gross profit of approximately HK\$15.3 million for the period under review as compared to approximately HK\$17.1 million for the corresponding period last year.

Investment holdings

As at 30 June 2007, the Group held approximately 3.4 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"), a company listed in the NASDAQ. ChipMOS is a leading provider of semiconductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

During the period, the Group sold approximately 221,000 shares of ChipMOS Technologies (Bermuda) Limited in the NASDAQ market with an average price of approximately US\$7.4 per share. Realised gains of approximately HK\$1.0 million in total were recorded.

As at 30 June 2007, the quoted market price of ChipMOS was approximately US\$7.19 per share as compared to approximately US\$6.79 per share as at 31 December 2006. For the period under review, an unrealised gain of approximately HK\$10.5 million was recorded by the Group due to mark to market valuation of the shares.

The quoted market price of ChipMOS as at 19 September 2007 was approximately US\$6.09.

Future plans and prospects

The Group will continue to focus on its main business in design and trading of integrated circuit products, with emphasis in the Greater China region. Facing competition, the Group intends to migrate and is implementing to a more advanced production process for our integrated circuit products. Market competition will continue and the Group shall meet the challenges by enhancing the functions of our existing products and developing new products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the cash and cash equivalents of the Group amounted to approximately HK\$93.1 million as compared to that as at 31 December 2006 of approximately HK\$102.6 million.

For the six months ended 30 June 2007, the net cash outflow of the Group amounted to approximately HK\$8.6 million, of which approximately HK\$17.2 million was cash outflow from operating activities.

As at 30 June 2007, the Group has no outstanding bank loans and no financing cost was incurred for the period under review.

GEARING RATIO

As at 30 June 2007, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of total assets, was approximately 9.3% (31 December 2006: approximately 9.6%). There was no material change in gearing ratio of the Group. No debt financing has been raised during the period under review.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2007, an exchange adjustment of approximately HK\$0.8 million was debited to reserves upon translation of overseas operations.

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

CAPITAL STRUCTURE

There was no change in the share capital of the company for the year under review. The profit attributable to shareholders of approximately HK\$10.4 million was transferred to reserves. As at 30 June 2007, the shareholders' fund was approximately HK\$267.2 million (31 December 2006: HK\$256.7 million).

INVESTMENTS AND CAPITAL ASSETS

In addition to holding ChipMOS, the Group applied approximately HK\$3.3 million to acquire certain Hong Kong stocks as investments for the period under review.

For the six months ended 30 June 2007, total additions to plant and equipment and intangible assets amounted to approximately HK\$0.9 million as compared to approximately HK\$0.3 million for the corresponding period of last year.

CHARGE ON ASSETS

As at 30 June 2007, restricted bank deposits amounted to approximately HK\$0.2 million, mainly for the purpose of securing payment of value added tax as required by Taiwan Tax Bureau.

SEGMENTAL INFORMATION

For the current period under review, approximately 90% of turnover of the Group was generated in Taiwan. The Taiwan operation recorded an operating loss of approximately HK\$0.6 million (2006: operating profit of approximately HK\$4.8 million), while the operations in Shanghai recorded an operating profit of approximately HK\$2.2 million (2006: operating loss of approximately HK\$2.3 million).

HUMAN RESOURCES

There is no material change in the headcount of the Group. As at 30 June 2007, the number of staff was approximately 82.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2007.

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 30 June 2007.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2007, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) that is required to be recorded and kept in the register in accordance with section 352 of the SFO, any interests required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' INTEREST OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 30 June 2007, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

| Name of shareholder | Number of issued shares | Percentage holding |
|--------------------------|-------------------------|--------------------|
| Texan Management Limited | 145,610,000 | 43.3% |
| Vision2000 Venture Ltd. | 106,043,142 | 31.5% |

SHARES OPTIONS

On 29 November 2006, an ordinary resolution was passed at a special general meeting regarding the approval of the adoption of share option scheme (the "Scheme") by a non wholly owned subsidiary, 新茂國際科技股份有限公司 ("SyncMOS Taiwan"). SyncMOS Taiwan may grant options to its full time employees, including executive and non-executive directors, to subscribe for shares of SyncMOS Taiwan.

Details of the share options outstanding as at 30 June 2007 which have been granted under the Scheme are as follows:

| Grantee | Date of Grant | Exercise price HK\$ | Exercise period | At 1 January 2007 | Granted during the period | Exercised during the period | Lapsed during the period | At 30 June 2007 |
|-----------|-----------------|------------------------|-------------------------------------|-------------------|---------------------------|-----------------------------|--------------------------|-----------------|
| Employees | 1 December 2006 | 2.45 | 1 December 2007 to 31 December 2009 | 1,480,000 | — | — | 160,000 | 1,320,000 |
| | 1 December 2006 | 2.45 | 1 December 2008 to 31 December 2009 | 1,480,000 | — | — | 160,000 | 1,320,000 |

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors who together have substantial experience in auditing, business and regulatory affairs.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the “Code”) of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited for the accounting period covered by the 2007 interim report except the following deviations:

Code A.4.1

This Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

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. At every annual general meeting of the Company, 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 and every Director shall be subject to retirement by rotation at least once every three years.

Code A.4.2

This Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

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 of the Company and shall then be eligible for re-election by shareholders at the meeting but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting in accordance with the bye-laws of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. All directors of the Company have confirmed, after specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2007.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 20 September 2007