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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 AND CONNECTED TRANSACTIONS
IN RELATION TO
ACQUISITION OF CONVERTIBLE BOND**

PURCHASE AGREEMENT

On 18 December 2009, the Company and ChipMOS entered into the Purchase Agreement, pursuant to which ChipMOS will issue to the Company and the Company will acquire the Convertible Bond with a principal amount of US\$1,500,000, subject to the terms and conditions contained therein.

ChipMOS was incorporated under the laws of Bermuda on 1 August 2000, and its common shares have been traded on the NASDAQ Global Select Market since June 2001. ChipMOS is principally engaged in the provision of semiconductor testing and assembly services to customers in Taiwan, Japan, and the United States. With advanced facilities in Hsinchu and Southern Taiwan Science Parks in Taiwan and Shanghai, ChipMOS and its subsidiaries provide testing and assembly services to a broad range of customers, including leading fabless semiconductor companies, integrated device manufacturers and independent semiconductor foundries.

Completion for the purchase of the Convertible Bond is subject to the Conditions Precedent as set out in the paragraph headed "Conditions Precedent" below.

As at 30 November 2009, the total number of issued ChipMOS Shares was 83,971,012, and the Company held 3,227,284 ChipMOS Shares (representing approximately 3.8% of the entire issued share capital of ChipMOS as at 30 November 2009). Under the assumption that only the Convertible Bond is converted in full at the initial conversion price of US\$1.25 per ChipMOS Share and there is no other changes in the share capital of ChipMOS between 30 November 2009 and the date of such conversion, an aggregate of 1,200,000 Conversion ChipMOS Shares will be issued by ChipMOS to the Company, representing approximately 1.4% of the entire issued share capital of ChipMOS as enlarged by the issue of the Conversion ChipMOS Shares, and accordingly, the Company's interest in ChipMOS will increase to 4,427,284 ChipMOS Shares, representing approximately 5.2% of the entire issued share capital of ChipMOS as enlarged by the issue of the Conversion ChipMOS Shares.

* *For identification purpose only*

LISTING RULES IMPLICATIONS

Each of the Acquisition, the Compulsory Conversion and the Discretionary Conversion constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mosel, a substantial Shareholder, indirectly held approximately 31.5% equity interest in the Company and approximately 13.3% equity interest in ChipMOS as at 30 November 2009. In this regard, each of the Compulsory Conversion and the Discretionary Conversion constitutes a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules, and the Acquisition constitutes a connected transaction under Rule 14A.13(2)(a)(ii) of the Listing Rules. Accordingly, each of the Compulsory Conversion, the Discretionary Conversion and the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company shall comply with all the requirements, including, among others, the reporting, announcement and/or independent shareholders' approval requirements (where required) under Chapter 14 and Chapter 14A of the Listing Rules upon the Discretionary Conversion.

The Independent Board Committee has been formed to advise the independent Shareholders in respect of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee in respect of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder.

Given Mosel's interest in both the Company and ChipMOS, Mosel and its associates shall abstain from voting at the SGM.

A circular containing, among other things, (i) details of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder; (ii) recommendations of the Independent Board Committee regarding the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder to the independent shareholders; (iii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Shareholders regarding the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder; (iv) a notice to convene the SGM and a proxy form; and (v) other information required under the Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

PURCHASE AGREEMENT

Principal terms of the Purchase Agreement

The principal terms of the Purchase Agreement are summarised as follows:

Date

18 December 2009

Parties

- (i) ChipMOS as the issuer; and
- (ii) the Company as the subscriber

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the fact that (i) Mosel held approximately 31.5% equity interest in the Company as at the date of this announcement and approximately 13.3% equity interest in ChipMOS as at 30 November 2009; and (ii) the Company held 3,227,284 ChipMOS Shares (representing approximately 3.8% of the entire issued share capital of ChipMOS as at 30 November 2009), ChipMOS and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Conditions Precedent

Completion of the Purchase Agreement shall be subject to the fulfillment of the following conditions at or prior to the Completion:

- (i) the representations and warranties of each of the parties to the Purchase Agreement being correct when made and at the time of the Completion;
- (ii) the Company having obtained approval from its Shareholders of the Purchase Agreement and the Company's purchase of the Convertible Bond in compliance with applicable requirements under the Listing Rules;
- (iii) the parties to the Purchase Agreement having performed and complied with all agreements and conditions contained in the Purchase Agreement required to be performed or complied with by them prior to or at the Completion and, after giving effect to the issuance of the Convertible Bond, no event of default shall have occurred and be continuing; and
- (iv) the Company having delivered to ChipMOS a completed and executed IRS W-8 Form that grants a foreigner an exemption from certain U.S. information return reporting and backup withholding regulations.

Completion

Completion of the Acquisition of the Convertible Bond shall take place on 26 February 2010 or such other Business Day as both parties may mutually agree on or before 26 February 2010 or such later date (as the case may be) subject to the fulfillment of the conditions precedent stated in the section headed "Conditions Precedent" above at or prior to the completion.

Upon Completion, ChipMOS shall issue to the Company, in physical form, the Convertible Bond in the name of the Company or such other nominee as the Company may designate, against payment of the consideration of US\$1,500,000 from the Company. The consideration of the Acquisition will be funded by the Group's internal resources.

Principal Terms of the Convertible Bond

The principal terms of the Convertible Bond are summarised as follows:

Principal amount:	US\$1,500,000
Redemption price at maturity:	100% of the outstanding principal amount of the relevant Convertible Bond on the Maturity Date (as set out below)
Conversion Price:	The initial conversion price is US\$1.25 per Conversion ChipMOS Share, subject to adjustments as set out in the Purchase Agreement
Interest rate:	8% per annum accruing from and including the date of the issuance (the "Issuance Date") of the Convertible Bond and payable quarterly in arrears Interest shall be payable, at the option of ChipMOS, (a) in whole in cash ("Cash Interest"); (b) in whole in ChipMOS Shares ("Interest ChipMOS Shares"); or (c) in a combination of Cash Interest and Interest ChipMOS Shares.
Default interest rate:	From and after the occurrence and during the continuance of an event of default, the interest rate shall be increased to 10% per annum.
Maturity Date:	The fifth anniversary from the Issuance Date, except as may be extended at the option of the required holders (i) in the event that, and for so long as, an event of default shall have occurred and be continuing on the maturity date (as may be extended) or any event shall have occurred and be continuing on the maturity date (as may be extended) that with the passage of time and the failure to cure would result in an event of default and (ii) through the date that is ten (10) Business Days after the consummation of a change of control in the event that a change of control notice is delivered prior to the maturity date (as may be extended).
Conversion Period:	(a) Conversion period in respect of the Discretionary Conversion The Convertible Bond is convertible at any time and from time to time during the period commencing on the 41st day after the Issuance Date and ending on the tenth Business Day prior to the Maturity Date.

(b) Conversion period in respect of the Compulsory Conversion

The Convertible Bond is convertible at any time from the Issuance Date and up to the maturity date of the Convertible Bond.

Conversion Rights:

(a) The Discretionary Conversion — Conversion by holders of the Convertible Bond

The holder(s) of the Convertible Bond shall have the right to convert all or part of the principal amount, which is a minimum of US\$100,000 and an integral multiple of US\$1,000, of the Convertible Bond into Conversion ChipMOS Shares at the initial Conversion Price (subject to adjustment) during the relevant conversion period.

(b) The Compulsory Conversion — Conversion by ChipMOS

At any time after the Issuance Date, if (i) the closing price of the ChipMOS Shares exceeds 150% of the then Conversion Price in effect for 20 consecutive trading days ending on the trading day immediately preceding the date on which ChipMOS delivers a written notice thereof to holder(s) of the Convertible Bond; and (ii) the average daily trading volume of the ChipMOS Shares over the aforementioned period equals or exceeds 0.1% of the then outstanding ChipMOS Shares, ChipMOS shall have the right to elect to automatically convert some or all of the outstanding principal amount of the Convertible Bond.

Ranking of the
Conversion ChipMOS
Shares:

The Conversion ChipMOS Shares, when allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond, shall rank *pari passu* in all respects with all other then issued ChipMOS Shares at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.

Early redemption:

At any time prior to the Maturity Date (as set out above), ChipMOS may notify holders of the Convertible Bond of its election to redeem all or part of the outstanding Convertible Bond by paying in cash or by check to the holders of the Convertible Bond an amount equal to (a) principal amount of the Convertible Bond being redeemed plus (b) the sum of any accrued and unpaid interest, calculated pursuant to the terms of the Purchase Agreement, relating to portion of the Convertible Bond being redeemed.

Redemption: ChipMOS may be required by holders of the Convertible Bond to redeem all or any portion of the Convertible Bond held by such holder(s) in the event of the occurrence of (i) an event of default; and (ii) the consummation of a change of control of ChipMOS.

Holders of the Convertible Bond will not have the right to require ChipMOS to redeem the Convertible Bond if (1) the market price per ChipMOS Share for any five trading days within the period of 10 consecutive trading days ending immediately after a change of control date equals or exceeds 105% of the then Conversion Price in effect immediately before the date of such change of control; (2) at least 90% of the consideration in a transaction or transactions otherwise constituting a change of control consists of capital stock which are traded or quoted on an eligible market (or will be so traded or quoted immediately following such transaction) and as a result of the transaction the Convertible Bond becomes convertible into such capital stock; or (3) the transaction is effected solely to change the jurisdiction of incorporation of ChipMOS and results in a reclassification, conversion or exchange of outstanding ChipMOS Shares solely into shares of common stock of the surviving person.

Voting rights: The holder of the Convertible Bond shall have no voting rights as the holder of Convertible Bond except as expressly provided in the Convertible Bond.

Listing: No application will be made for the listing of the Convertible Bond on the NASDAQ Global Select Market or any other securities exchange. An application will be made by ChipMOS for the listing of, and permission to deal in, the Conversion ChipMOS Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bond.

The initial Conversion Price of US\$1.25 per Conversion ChipMOS Share is determined after arm's length negotiations between the parties to the Purchase Agreement and represents:

- a premium of approximately 78.6% over the closing price of US\$0.70 per ChipMOS Share, as quoted on Nasdaq Global Select Market on the Last Trading Day;
- a premium of approximately 76.6% over the average closing price of US\$0.708 per ChipMOS Share, as quoted on Nasdaq Global Select Market for the last 5 consecutive trading days up to and including the Last Trading Day;

ChipMOS has issued convertible bonds to other investors in 2009. Both the first tranche convertible bond (the “First Tranche CB”) with an interest rate of 10% per annum, an initial conversion price of US\$1.5 per ChipMOS Share and an aggregate principal amount of US\$18.9 million and the second tranche convertible bond (the “Second Tranche CB”) with an interest rate of 8% per annum, an initial conversion price of US\$1.25 per ChipMOS Share and an aggregate principal amount of US\$15.85 million were issued in October 2009. The third tranche convertible bond, including the Convertible Bond, (the “Third Tranche CB”) with an aggregate principal amount of US\$9,620,000, among which (i) US\$5,120,000 will be issued to other investors by the end of December 2009; and (ii) US\$3,000,000 will be issued at the same time as the Acquisition is scheduled to be consummated for the Company to Mr. William Yip, the chairman of the Company, the terms of which are the same as that of the Convertible Bond.

Under the assumption that only the Convertible Bond is converted in full at the initial conversion price of US\$1.25 per ChipMOS Share and there is no other changes in the share capital of ChipMOS between 30 November 2009 and the date of such conversion, an aggregate of 1,200,000 Conversion ChipMOS Shares will be issued by ChipMOS to the Company, representing approximately 1.4% of the entire issued share capital of ChipMOS as enlarged by the issue of the Conversion ChipMOS Shares, and accordingly, the Company’s interest in ChipMOS will be increase to 4,427,284 ChipMOS Shares, representing approximately 5.2% of the entire issued share capital of ChipMOS as enlarged by the issue of the Conversion ChipMOS Shares.

Under the assumption that only the convertible bonds with an initial conversion price of US\$1.25 per ChipMOS Share, namely the Second Tranche CB and the Third Tranche CB, are converted in full and there is no other changes in the share capital of ChipMOS between 30 November 2009 and the date of such conversion, an aggregate of 20,376,000 ChipMOS Shares will be issued by ChipMOS to relevant holders, including the Company, representing approximately 19.5% of the entire issued share capital of ChipMOS as enlarged by the issue of such new ChipMOS Shares, and accordingly, the Company’s interest in ChipMOS will be increase to 4,427,284 ChipMOS Shares, representing approximately 4.2% of the entire issued share capital of ChipMOS as enlarged by the issue of such new ChipMOS Shares.

Under the assumption that the Convertible Bond, together with all outstanding convertible bonds are converted in full at the respective initial conversion price, and there is no other changes in the share capital of ChipMOS between 30 November 2009 and the date of such conversion, an aggregate of 32,976,000 ChipMOS Shares will be issued by ChipMOS to relevant holders, including the Company, representing approximately 28.2% of the entire issued share capital of ChipMOS as enlarged by the issue of such new ChipMOS Shares, and accordingly, the Company’s interest in ChipMOS will be increase to 4,427,284 ChipMOS Shares, representing approximately 3.79% of the entire issued share capital of ChipMOS as enlarged by the issue of such new ChipMOS Shares.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE PURCHASE AGREEMENT

The Group is principally engaged in the design, sale and distribution of integrated circuits products and other investments.

In view of the unprecedented global financial crisis and recessionary economic environment ignited by the series of high profile failures of major United States and European financial institutions in 2008, the demand for semiconductor testing and assembly services had dropped significantly in 2008 and early 2009. Coupled with the fact that some of its major customers had also encountered severe financial difficulties, the results of ChipMOS had been adversely affected and ChipMOS had recorded net losses for the year ended 31 December 2008 and for the nine months ended 30 September 2009.

ChipMOS's situation has been gradually stabilized with the entering into of a debt restructuring agreement in April 2009 to extend the key repayment terms and conditions of ChipMOS's bank loans from its major creditors in Taiwan and the issue of convertible bonds with an aggregate principal of US\$34.75 million in October 2009. In addition, ChipMOS's business has been improving in 2009. The management of the Company expects the DRAM industry will recover in 2010/2011. ChipMOS, with good back end processing technology will benefit from the market recovery. It is considered to be a good opportunity to further invest in ChipMOS at a relative low price. Furthermore, the Convertible Bond bears an interest of 8% per annum, which is attractive when compared with other similar investments. Having considered the above, the Directors (other than the independent non-executive Directors whose view is reserved pending the advice of the independent financial adviser to the Independent Board Committee and the Shareholders) are of the view that the Acquisition represents an opportunity for the Company to obtain a satisfactory return from the recovery of ChipMOS.

The Directors (other than the independent non-executive Directors whose view is reserved pending the advice of the independent financial adviser to the Independent Board Committee and the Shareholders) are of the view that the terms of the Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Each of the Acquisition, the Compulsory Conversion and the Discretionary Conversion constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Mosel, a substantial Shareholder, indirectly held approximately 31.5% equity interest in the Company as at the date of this announcement, and approximately 13.3% equity interest in ChipMOS as at 30 November 2009. In this regard, each of the Compulsory Conversion and the Discretionary Conversion constitutes a connected transaction for the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules, and the Acquisition constitutes a connected transaction under Rule 14A.13(2)(a)(ii) of the Listing Rules. Accordingly, each of the Compulsory Conversion, the Discretionary Conversion and the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee has been formed to advise the independent Shareholders in respect of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder. An independent financial adviser has been appointed to advise the Independent Board Committee in respect of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder.

Given Mosel's interest in both the Company and ChipMOS, Mosel and its associates shall abstain from voting at the SGM.

A circular containing, among other things, (i) details of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder; (ii) recommendations of the Independent Board Committee regarding the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder to the independent shareholders; (iii) a letter from an independent financial adviser containing its advice to the Independent Board Committee and the Shareholders regarding the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder; (iv) a notice to convene the SGM and a proxy form; and (v) other information required under the Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

The Company shall comply with all the requirements, including, among others, the reporting, announcement and/or independent shareholders' approval requirements (where required) under Chapter 14 and Chapter 14A of the Listing Rules upon the Discretionary Conversion.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Acquisition”	acquisition of the Convertible Bond by the Company pursuant to the Purchase Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Business Day”	means a day that in New York City and/or in Taipei, Taiwan is not a day on which banking institutions are authorized by law or regulation to close;
“ChipMOS”	ChipMOS TECHNOLOGIES (Bermuda) LTD., a company incorporated in Bermuda with limited liability whose shares are listed on NASDAQ Global Select Market;
“ChipMOS Share(s)”	ordinary share(s) of par value US\$0.01 each in the share capital of ChipMOS;
“Completion”	completion of the issue of and acquisition of the Convertible Bond pursuant to the Purchase Agreement;
“Compulsory Conversion”	the conversion of the Convertible Bond into Conversion ChipMOS Shares at the Conversion Price pursuant to the terms of the Convertible Bond at the discretion of ChipMOS;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Conversion Price”	the initial conversion price of US\$1.25 per Conversion ChipMOS Share, subject to adjustments as set out in the Purchase Agreement;
“Conversion ChipMOS Share(s)”	up to 1,200,000 new ChipMOS Shares which would fall to be issued by ChipMOS to the Company upon the Discretionary Conversion and/or the Compulsory Conversion;
“Convertible Bond(s)”	convertible bond(s) due after 5 years from the Issuance Date in an aggregate principal amount of US\$1.5 million to be subscribed by the Company pursuant to the Purchase Agreement, which entitle the Company to convert the outstanding principal amount into the Conversion ChipMOS Shares at the Conversion Price;

“Discretionary Conversion”	the conversion of the Convertible Bond into Conversion ChipMOS Shares at the Conversion Price pursuant to the terms of the Convertible Bond at the discretion of holders of the Convertible Bond;
“Group”	the Company and its subsidiaries;
“Independent Board Committee”	an independent board committee comprising all of the independent non-executive Directors to advise the independent Shareholders in respect of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder;
“Last Trading Day”	17 December 2009, being the date prior to the Purchase Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mosel”	Mosel Vitelic Inc., a company incorporated in the Republic of China, the shares of which are listed on Taiwan stock exchange;
“NASDAQ Global Select Market “	a segment of the Nasdaq Global Market of the United States of America;
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan;
“Purchase Agreement”	the conditional agreement dated 18 December 2009 entered into between the Company and ChipMOS in relation to the issuance and acquisition of the Convertible Bond;
“SGM”	the special general meeting of the Shareholders to be convened for the purpose of considering and, if thought fit, approving the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder;
“Shareholders”	holders of the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“US\$” United States dollars, the lawful currency of the United States of America;

“%” per cent.

By Order of the Board
PacMOS Technologies Holdings Limited
Chung Che Ling
Company Secretary

Hong Kong, 21 December 2009

As at the date of this announcement, the Board comprises Mr. Wong Chi Keung, Mr. Cheng Hok Ming, Albert and Mr. Ma Kwai Yuen, being the independent non-executive Directors, and Mr. Yip Chi Hung and Mr. Chen Che Yuan, being the executive Directors.