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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PacMOS Technologies Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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**

**Independent Financial Adviser to the Independent Board
Committee and the Independent Shareholders of
PacMOS Technologies Holdings Limited**

**SOMERLEY LIMITED**

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 17 of this circular. A letter from Somerley containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 18 to 37 of this circular.

A notice convening the SGM to be held at Gloucester Room II, 3rd Floor, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 9 February 2010 at 2:30 p.m. is set out on pages 43 to 44 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish but the authority of your proxy will be invalidated forthwith.

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DEFINITIONS

In this circular, 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;
“Board”	the board of Directors of the Company;
“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;
“Company”	PacMOS Technologies Holdings Limited, a limited liability company incorporated under the laws of Bermuda, the shares of which are listed on the main board of the Stock Exchange (stock code: 1010);
“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;

DEFINITIONS

“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;
“Director(s)”	the director(s) of the Company;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of PRC;
“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;
“Independent Shareholder(s)”	Shareholders which are not required to abstain from voting at the general meeting of the Company to approve the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder;
“Last Trading Day”	17 December 2009, being the date prior to the Purchase Agreement;
“Latest Practicable Date”	7 January 2010, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained herein;
“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;

DEFINITIONS

“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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time;
“SGM”	the special general meeting of the Shareholders to be held at Gloucester Room II, 3rd Floor, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 9 February 2010 at 2:30 p.m. for the purpose of considering and, if thought fit, approving the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder or any adjournment thereof;
“Share(s)”	the ordinary share(s) in the issued share capital of the Company, with a par value of HK\$0.10 each;
“Shareholder(s)”	holder(s) of the issued share capital of the Company;
“Sommerley” or “independent financial adviser”	Sommerley Limited, a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO having CE registration number AAJ067 and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	shall have the meaning given to it under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“US\$”	United States dollars, the lawful currency of the United States of America;
“%”	per cent.



PACMOS TECHNOLOGIES HOLDINGS LIMITED

(弘茂科技控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

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

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal office in Hong Kong:

27th Floor, Cambridge House

Taikoo Place

979 King's Road

Island East

Hong Kong

11 January 2010

To the Shareholders

Dear Sir or Madam,

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

I. INTRODUCTION

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.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (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 Independent Shareholders regarding the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder; (iv) a notice of the SGM and a proxy form; and (v) other information required under the Listing Rules.

II. 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 Latest Practicable Date 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

III. 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.

LETTER FROM THE BOARD

Maturity Date: The fifth anniversary of 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 Conversion Price (subject to adjustment) during the relevant conversion period.

LETTER FROM THE BOARD

(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.

Upon the Compulsory Conversion and/or the Discretionary Conversion, holder of the Convertible Bond is entitled to receive the present value of the interest, calculated pursuant to the terms of the Purchase Agreement, that would have accrued at an interest rate of 8% per annum with respect to the Convertible Bond being converted for the period from the applicable date of conversion to the Maturity Date.

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.

LETTER FROM THE BOARD

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 present value of interest, calculated pursuant to the terms of the Purchase Agreement, that would have accrued at an interest rate of 8% per annum relating to portion of the Convertible Bond being redeemed for the period from the applicable date of redemption to the Maturity Date.

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.

LETTER FROM THE BOARD

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 Conversion Price of US\$1.25 per Conversion 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;
- a premium of approximately 73.9% over the average closing price of US\$0.719 per ChipMOS Share as quoted on Nasdaq Global Select Market for the last 10 consecutive trading days up to and including the Last Trading Day;
- A premium of approximately 72.4% over the average closing price of US\$0.725 per ChipMOS Share, as quoted on Nasdaq Global Select Market on the Latest Practicable Date; and
- a discount of approximately 71.9% to the audited net asset value attributable to shareholders per ChipMOS Share of approximately US\$4.44 as at 31 December 2008.

LETTER FROM THE BOARD

IV. INFORMATION ON CHIPMOS

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.

Set out below is the financial information of ChipMOS for the two years ended 31 December 2008 and the nine months ended 30 September 2009, prepared under the Republic of China generally accepted accounting principles, as extracted from the annual and quarterly reports of ChipMOS:

	For the year ended		For the
	31 December		nine months
	2007	2008	ended
	<i>NT\$' million</i>	<i>NT\$' million</i>	30 September
	(audited)	(audited)	2009
			<i>NT\$' million</i>
			(unaudited)
Revenue	23,597.6	17,010.2	8,560.5
Gross profit/(loss)	6,153.5	40.3	(3,024.8)
Income/(Loss) from operations	4,662.4	(3,643.6)	(4,430.1)
Net profit/(loss) after taxation	2,219.2	(7,270.2)	(4,115.5)

	As at 31 December		As at
	2007	2008	30 September
	<i>NT\$' million</i>	<i>NT\$' million</i>	2009
	(audited)	(audited)	<i>NT\$' million</i>
			(unaudited)
Net assets attributable to shareholders of ChipMOS	19,002.6	12,219.3	8,077.7

LETTER FROM THE BOARD

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 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 increased 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 increased 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 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

LETTER FROM THE BOARD

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 increased 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.

V. 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 share price has plummeted from its all-time high of US\$7.89 per ChipMOS Share in 2007 to the 12-month low of US\$0.186 per ChipMOS Share in 2008.

ChipMOS's situation has been gradually stabilized with the entering into of the 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. Taking into account the price of ChipMOS Share before the global financial crisis, 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 set out on page 17 of this circular) 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 set out on page 17 of this circular) 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.

LETTER FROM THE BOARD

VI. 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. 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.

Mosel, a substantial Shareholder, indirectly held approximately 31.5% equity interest in the Company as at the Latest Practicable Date, 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.

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

VII. THE SGM

The SGM will be held to consider and, if thought fit, passing of the resolution to approve the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder.

VIII. RECOMMENDATIONS

The Independent Board Committee has been formed to advise the Independent Shareholders on the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder. Somerley has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder as stipulated above. The text of the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders containing its recommendation and the principal factors it has taken into account in arriving at its recommendation are set out on pages 18 to 37 of this circular.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of Somerley, consider that the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution approving the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on page 17 of this circular.

The Shareholders who are eligible to vote at the SGM are urged to read the letters from Somerley and the Independent Board Committee before making a decision as to how to vote at the SGM. The Directors consider that the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

IX. FURTHER INFORMATION

Your attention is drawn to the texts of the letters from the Independent Board Committee and Somerley containing their respective recommendations and opinions regarding the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder and the information set out in the appendix to this circular.

Yours faithfully,

PacMOS Technologies Holdings Limited

Chung Che Ling

Company Secretary



PACMOS TECHNOLOGIES HOLDINGS LIMITED

(弘茂科技控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

11 January 2010

To the Independent Shareholders

Dear Sir or Madam,

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

As the Independent Board Committee, we have been appointed to advise you in connection with the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder and to advise you as to whether, in our opinion, the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned. Details of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are set out in the letter from the Board contained in this circular of which this letter forms part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires. Somerley has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee in respect of the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from Somerley on pages 18 to 37 of this circular.

Having considered the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder, taking into account the information contained in this circular and the advice of Somerley, we are of the opinion that the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you should approve the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Wong Chi Keung

Independent

Non-Executive Director

Cheng Hok Ming, Albert

Independent

Non-Executive Director

Ma Kwai Yuen

Independent

Non-Executive Director

* *For identification purpose only*

LETTER FROM SOMERLEY

The following is the text of the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

11 January 2010

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO ACQUISITION OF CONVERTIBLE BOND

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the terms of the Purchase Agreement which involves the acquisition of a convertible bond to be issued by ChipMOS with a principal amount of US\$1,500,000. Details of the Acquisition and the transactions contemplated thereunder are set out in the circular dated 11 January 2010 issued by the Company (the “Circular”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

The Acquisition and the possible compulsory conversion of the Convertible Bond at the discretion of ChipMOS constitute discloseable transactions for the Company under the Listing Rules. Mosel is interested in approximately 31.5% of the entire issued share capital of the Company as at the Latest Practicable Date and is a substantial Shareholder and thus a connected person of the Company as defined under the Listing Rules. Mosel also holds approximately 13.3% of the equity interest in ChipMOS as at the Latest Practicable Date. Accordingly, the Acquisition and the Compulsory Conversion constitute connected transactions for the Company and are subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. Mosel and its associates will abstain from voting in relation to the ordinary resolution to be put forward at the SGM for the purpose of approving the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder.

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The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Cheng Hok Ming, Albert and Mr. Ma Kwai Yuen, has been established to advise the Independent Shareholders on whether the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management of the Company and have assumed that such information, facts and opinions are true, accurate and complete and will remain so up to the date of the SGM. We have also sought and received confirmation from the management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, or to doubt the truth, accuracy or completeness of the information provided. We have not however, conducted any independent investigation into the business and affairs of the Group or ChipMOS nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

I. Information on the Group

The Group is principally engaged in the design, distribution and trading of integrated circuits and semi-conductor parts in Taiwan and the PRC. The Group also invests in equity securities listed in the United States and Hong Kong.

According to the 2008 annual report of the Company, the business performance and profitability of the Company has been adversely affected amid the global economic turmoil. Revenue of the Group for the year ended 31 December 2008 decreased by 21.6% to approximately HK\$88.2 million when compared to HK\$112.5 million for 2007. The loss attributable to equity holders of the Company deteriorated by 80.1% from HK\$62.8 million in 2007 to HK\$113.1 million in 2008 which was mainly attributable to the loss in fair value of the approximately 3.2 million ChipMOS Shares held by the Group. The outbreak of the financial tsunami in September 2008

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shook the global stock market. Market price of ChipMOS Shares declined by 94.1% from US\$4.26 as at 31 December 2007 to US\$0.25 per share as at 31 December 2008 and resulted in an unrealised loss in securities investment of approximately HK\$100.9 million for the Group in 2008.

The aftermath of the global economic meltdown continued to affect the performance of the Group in the first half of 2009. Turnover decreased by 33.8% to approximately HK\$30.2 million when compared to the corresponding period in 2008. However, ChipMOS's share price recovered to US\$0.72 as at 30 June 2009 and brought an unrealised gain of HK\$11.8 million to the Group for the interim period in 2009. After taking into account such unrealised gain, the Group recorded HK\$6.9 million profit attributable to equity holders of the Company as compared to the loss of HK\$ 29.2 million in the corresponding period in 2008. As at the Latest Practicable Date, ChipMOS's share price closed at US\$0.725.

II. The Acquisition

1. *Background to and reasons for the Purchase Agreement*

The Group initially acquired 25,000,000 shares of the immediate subsidiary (the "Predecessor") of ChipMOS ("Former Shares") in July 1997 (representing approximately 5% of the then issued share capital of the Predecessor) for a consideration of approximately HK\$69.7 million. In August 2000, the Company acquired a further 15,000,000 Former Shares for a consideration of approximately HK\$45.1 million by accepting the offer under a rights issue of the Predecessor. The Group thus made a total investment of approximately HK\$114.8 million in ChipMOS.

Shares of ChipMOS were listed on NASDAQ in June 2001 and as part of the group reorganisation for listing, the Former Shares were swapped into ChipMOS Shares. After the share swap, the Group held about 4,000,000 ChipMOS Shares, representing approximately 6% of the then issued share capital of ChipMOS. The Group disposed of a small amount of such shares in 2005 and 2006. The Group further realized part of its investment in ChipMOS by disposing of 350,000 shares during January to July 2007 at an average price of US\$7.4 per ChipMOS Share and made an aggregate gain on disposal of approximately HK\$1.6 million. As at the Latest Practicable Date, the Group retained approximately 3.2 million ChipMOS Shares, representing approximately 3.8% of the entire issued share capital of ChipMOS, with a market value of approximately US\$2.32 million.

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ChipMOS experienced a significant drop in demand for its semiconductor testing and assembly services and some of its major customers encountered financial difficulties amid the worldwide economic recession. The business performance of ChipMOS and its subsidiaries (“ChipMOS Group”) was badly affected and recorded losses for the year ended 31 December 2008 and for the nine month period ended 30 September 2009. The situation of the ChipMOS Group became stable and the financial pressure was alleviated after reaching a debt restructuring agreement with its major creditors in April 2009 to extend the key repayment terms and conditions of bank loans in a total amount of NT\$17,107.5 million (approximately US\$522.2 million); and issuing of convertible bonds in an aggregate principal amount of US\$34.75 million in October 2009. ChipMOS’s business has been improving in 2009 and the management of the Company expects ChipMOS will benefit from the recovery of DRAM industry in 2010/2011, thanks to its good back end processing technology.

The management of the Company consider the Acquisition a good opportunity for the Group to further invest in ChipMOS at relatively low price level after taking into account the long-term market price of ChipMOS Share before the outbreak of the global financial crisis in September 2008. They also consider that the Convertible Bond, which bears an interest rate of 8% per annum, is relatively attractive as compared with other similar investments.

2. *Information on ChipMOS*

(a) *Business of ChipMOS Group*

ChipMOS Group is headquartered in Hsinchu, Taiwan. With advanced facilities in Hsinchu and Southern Taiwan Science Parks in Taiwan and Shanghai, ChipMOS Group provides testing and assembly services and/or gold bumping services for memory chips (including DRAM, SRAM, FLASH), LCD drivers and mixed-signal primarily for Flat Panel Display peripheral chips. Its customers mainly are fabless semiconductor companies, integrated device manufacturers and independent semiconductor foundries focusing on the electronic, communication, data processing and related sectors.

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To the best knowledge of the management of the Company after discussion with ChipMOS Group, the third generation of DRAM (“DRAM 3”) is expected to be launched in the second half of 2010. The existing machinery, equipment and tools of ChipMOS Group are considered capable to handle the testing and assembly for DRAM 3. It is believed that DRAM 3 will be well received by the market because of its faster speed and larger memory.

(b) *Financial information of ChipMOS Group*

Financial information of ChipMOS Group prepared in accordance with the Republic of China generally accepted accounting principles, as extracted from the annual and quarterly reports, is as follow:

	For the year ended		For nine months ended
	31 December		30 September
	2007	2008	2009
	<i>NT\$'million</i>	<i>NT\$'million</i>	<i>NT\$'million</i>
	(audited)	(audited)	(unaudited)
Revenue	23,597.6	17,010.2	8,560.5
Gross profit/(loss)	6,153.5	40.3	(3,024.8)
Income/(loss) from operations	4,662.4	(3,643.6)	(4,430.1)
Net profit/(loss) after taxation	2,219.2	(7,270.2)	(4,115.5)
			As at 30
			September
			2009
			(unaudited)
Net assets attributable to shareholders of ChipMOS (<i>NT\$'million</i>)	19,002.6	12,219.3	8,077.7
Net assets attributable to shareholders of ChipMOS per ChipMOS Share (<i>NT\$</i>)	226.6	145.5	96.2

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As at 30 September 2009, unaudited net assets attributable to the shareholders of ChipMOS were approximately NT\$8,077.7 million, of which NT\$4,723 million was cash and cash equivalents. Property, plant and equipment accounted for approximately 65.9% of total assets of ChipMOS Group. These include machinery and equipment such as testers, wire bonders, sputters, steppers and die bonders, buildings and auxiliary equipment and tools. Liabilities mainly comprised of long-term debts, which amounted to NT\$11,667.2 million representing approximately 59.6% of total liabilities. Short-term loans of NT\$2,704.1 million and current portion of long-term debts of NT\$3,265.6 million accounted for approximately 30.5% of total liabilities. ChipMOS Group recorded net current assets of NT\$1,291.9 million as at 30 September 2009.

Revenue decreased by 27.9% for 2008 as compared to 2007 given the contracting demand for ChipMOS's services under the adverse market conditions. After providing an allowance of approximately NT\$2,292.2 million for doubtful receivables from customers, ChipMOS turned from an operating profit to an operating loss of approximately NT\$3,643.6 million; and turned from a net profit to a net loss of approximately NT\$7,270.2 million in 2008. In view of the net loss and net current liability position of ChipMOS Group, the auditors raised doubts about ChipMOS's ability to continue as a going concern in its 2008 annual report. ChipMOS announced in April 2009 that ChipMOS Taiwan requested and has received loan repayment extensions and modification of certain terms on the loans due from 2009 to 2013 from banks totaling over 50% of its outstanding loans. Of the NT\$17,107.5 million outstanding loans, NT\$8,274.5 million originally scheduled to be repaid in 2009 and 2010 has been deferred to 2011 and later years.

ChipMOS entered into agreements with two bondholders in September 2009 to exchange their ChipMOS convertible senior notes due 2009 in an aggregate amount of US\$54 million by paying US\$15.3 million in cash and issuing them two tranches of new convertible notes due 2014 including the first tranche convertible bond in the principal amount of US\$18.9 million with an interest rate of 10% per annum at an initial conversion price of US\$1.5 per ChipMOS Share and the second tranche convertible bond in the principal amount of US\$5.85 million with an interest rate of 8% per annum at an initial conversion price of US\$1.25 per ChipMOS Share. ChipMOS also entered into a separate private placement raising US\$10 million in September 2009.

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ChipMOS recorded an operating loss since the second quarter of 2008 and reached a low in the fourth quarter of 2008. The performance of ChipMOS started picking up in the first quarter of 2009 and its quarterly operating loss has been narrowing since then. The operation of ChipMOS is on its recovery trend throughout 2009. In November 2009, ChipMOS announced that the renegotiation between ChipMOS Taiwan and certain financial institutions in relation to its finance lease of equipment had been concluded by extending the lease terms from three to five years and US\$73.8 million of capital expenditure originally scheduled in the fourth quarter of 2009 has been spread up to 2013. Approximately US\$39.5 million of cash outflow under lease terms in 2009 and 2010 has been deferred to 2011 through 2013.

Following the debt restructuring, the liquidity position of ChipMOS has improved from a net current liability position as at 31 December 2008 to a net current asset position of US\$40.4 million as at 30 September 2009 recording a cash and cash equivalents balance of US\$147.5 million and total debt of US\$550.6 million.

The table below sets out the repayment schedule of ChipMOS as approved by the Taiwan bank creditors and cash outflow for payment of purchase of leased equipment under the new payment arrangement:

	Bank loans repayment <i>(US\$'million)</i>	Purchase of leased equipment <i>(US\$'million)</i>	Total <i>(US\$'million)</i>
2009	51.6	45.1	96.7
2010	56.7	31.2	87.9
2011	241.0	27.0	268.0
2012	101.8	18.3	120.1
2013	60.6	1.8	62.4
Thereafter	10.5	—	10.5
Total	522.2	123.4	645.6

Source: Extracted from announcements of ChipMOS published on NASDAQ website

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In December 2009, ChipMOS entered into agreements to issue 8% convertible bonds at initial conversion price of US\$1.25 per ChipMOS Share in an aggregate principal amount of US\$9.62 million for general corporate purposes. Out of the US\$9.62 million, other than the US\$1.5 million Convertible Bond to be subscribed by the Company, the Chairman and Chief Executive Officer of ChipMOS, Mr. Shih-Jye Cheng, agreed to subscribe US\$1 million, Mr. Chi Hung Yip, the Chairman of the Company, agreed to subscribe US\$3 million and the remaining US\$4.12 million convertible bonds are being issued to four independent investors.

(c) *Share price performance and trading volume of ChipMOS Shares*

The graphs below illustrate the daily closing price per ChipMOS Share on NASDAQ since its listing as 19 June 2001 to 31 December 2009 and from 2 January 2008 up to and including the Latest Practicable Date:

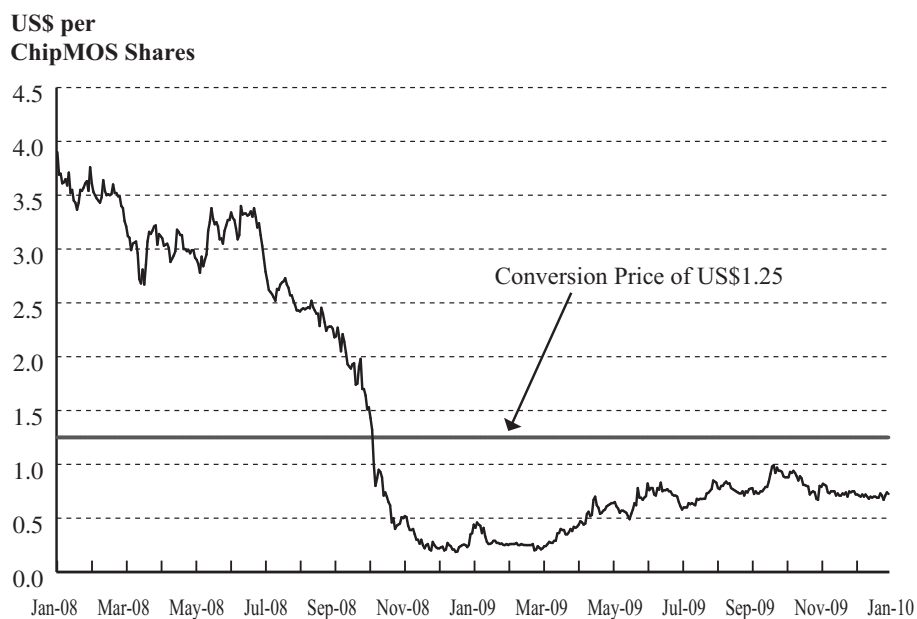
Movement of the closing price of ChipMOS Shares on NASDAQ since listing in June 2001



Source: Bloomberg

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Movement of the closing price of ChipMOS Shares on NASDAQ since 2 January 2008



Source: Bloomberg

The highest and lowest closing price per ChipMOS Share during the period from 2 January 2008 to the Last Trading Day were US\$4.1 on 2 January 2008 and US\$0.186 on 18 December 2008 respectively with an average closing price of US\$1.487.

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Following the release of 2007 annual results on 19 March 2008, which showed a 4.6% increase in net income when compared to 2006, share price of ChipMOS dropped by 5% to US\$2.67 on 20 March 2008. The NASDAQ Composite Index was up 12% from 2,275.82 points on 14 April 2008 to 2,549.94 points on 5 June 2008. Closing price of ChipMOS Shares rebounded 16% from US\$2.88 to US\$3.34 during the same period. Even though ChipMOS announced its 2008 first quarter results on 14 May 2008 that net income was 83% less than the corresponding period in 2007, the closing price of ChipMOS Shares on 15 May 2008 increased by 7.5% amid the favourable market atmosphere.

After the collapse of Lehman Brothers, price of ChipMOS Shares plunged 77.7% from US\$2.285 on 21 August 2008 to US\$0.51 on 31 October 2008. During this period, the NASDAQ Composite Index declined by 27.7% from 2,380.38 points to 1,720.95 points. On 15 April 2009, ChipMOS announced the debt restructuring where major creditors of ChipMOS Taiwan agreed the extension of the repayment terms on bank loans due from 2009 to 2013 totaling over 50% of its outstanding loans. Closing price of ChipMOS Shares on 16 April 2009 increased by 20% to US\$0.54.

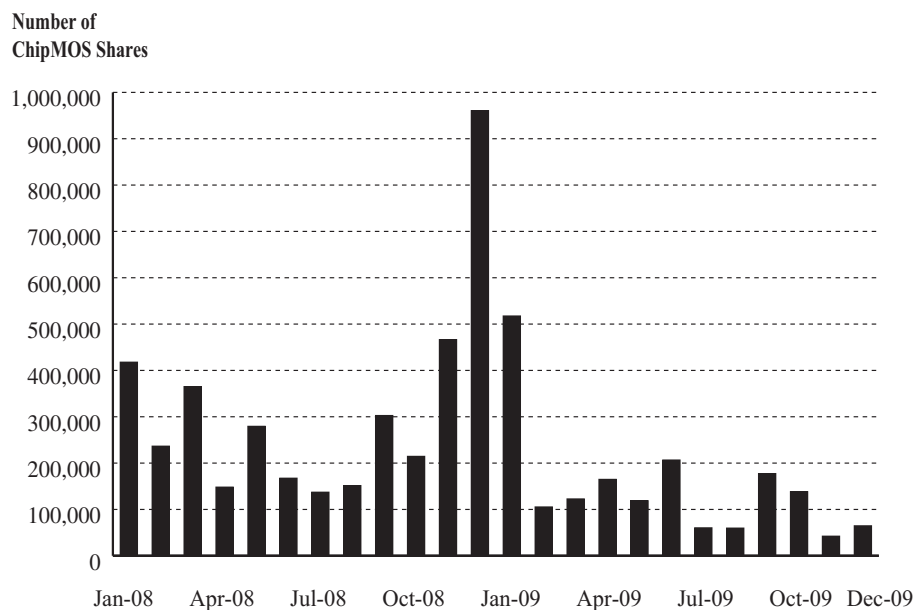
On 17 September 2009, ChipMOS announced, among other things that, it has received a letter from The NASDAQ Stock Market Listing Qualifications Department stating that for the last thirty consecutive business days, the bid price of ChipMOS's common stock has closed below US\$1.00 and if at any time before 15 March 2010, the bid price of ChipMOS's common stock does not close at US\$1.00 per share or more for a minimum of ten consecutive business days, ChipMOS may submit an application to transfer its listing from The Nasdaq Global Select Market to The Nasdaq Capital Market, another segment of the Nasdaq Global Market, provided that it meets all relevant applicable listing requirements.

Subsequent to the release of ChipMOS's announcement on 29 September 2009 in connection with the issuance of US\$34.75 million convertible notes, the share price of ChipMOS rose by 5.4% to US\$0.97 on 30 September 2009. ChipMOS Shares dropped 1.3% and closed at US\$0.6911 on 22 December 2009 following the publication of the announcement in relation to the issuance of US\$9.62 million convertible bonds on 21 December 2009. At the Latest Practicable Date, ChipMOS Shares closed at US\$0.725.

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The graph below illustrates the monthly trading volume of ChipMOS Shares on NASDAQ from January 2008 up to December 2009.

Monthly trading volume of ChipMOS Shares on NASDAQ



Source: Bloomberg

ChipMOS recorded an average monthly trading volume of 234,373 shares during the period from January 2008 to December 2009. The percentage of the monthly trading volume of ChipMOS Shares to the total number of issued shares of ChipMOS as at the end of each month ranges from 0.05% to 1.14%, with an average of 0.28%.

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3. *Prospects of the semiconductor industry*

The testing and assembly services provided by ChipMOS mainly relate to memory chips installed in electronic equipment used for the communication, consumer and data processing industries. According to Gartner Dataquest Estimates, revenue generated from semiconductors in the aforesaid three industry segments, which recorded moderate drops in 2008 and was hit hard in 2009 amid the global economic downturn, will pick-up from 2010 onwards. Data processing will be the best performer among the segments and is expected to have an annual growth rate of 13.2% during 2010.

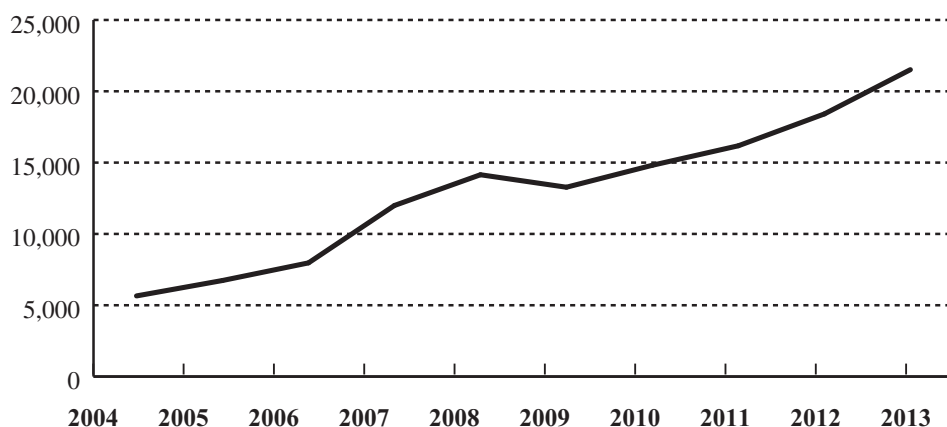
	Annual Growth Rate (%)					
	2008	2009	2010	2011	2012	2013
Communications	(2.9)	(15.1)	8.6	11.9	5.6	0.5
Consumer	(6.3)	(19.9)	6.5	12.0	11.4	3.8
Data processing	(8.4)	(14.4)	13.2	12.0	8.0	-0.3

Source: Gartner

DRAM is mainly used in personal computers and NAND Flash memory products are widely applied in cellular handsets, digital cameras and digital audio and video devices, which together accounted for approximately 70% of ChipMOS's testing and assembly service revenue for each of the two years ended 31 December 2007 and 2008.

Worldwide DRAM Shipment

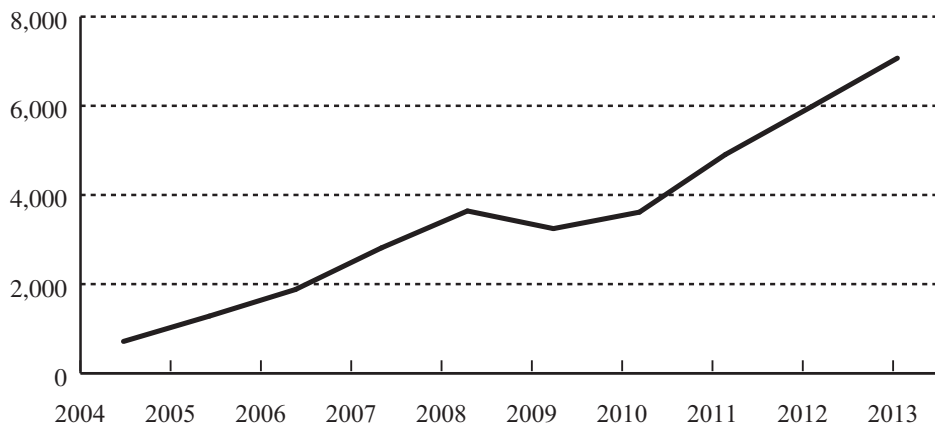
Million of units



Source: Gartner

Worldwide NAND Flash Shipment

Million of units



Source: Gartner

As reflected in the above graphs, the total shipment of DRAM dropped by 6.2% from 14,149 million units for 2008 to 13,274 million units for 2009. However, it is estimated that the segment will recover during 2010 and record a year-on-year increase of approximately 11.6%. Shipments of DRAM are expected to record a cumulative average growth rate of approximately 8.7% for the period 2008 to 2013.

NAND Flash also dropped 10.9% when compared to 2008. However, it is estimated that the segment will pick up in 2010, recording a year-on-year growth of approximately 11.4% during 2010 with cumulative average growth rate of approximately 14.2% from 2008 to 2013.

4. *Principal terms of the Convertible Bond*

Principal amount to be subscribed by the Company:	US\$1,500,000
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Redemption price at maturity:	100% of the outstanding principal amount of the relevant Convertible Bond on the Maturity Date (as set out below).
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- 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 of 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 is continuing on the maturity date (as may be extended) or any event shall have occurred and is 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.

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- 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 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.

Upon the Compulsory Conversion and/or the Discretionary Conversion, holder of the Convertible Bond is entitled to receive the present value of the interest, calculated pursuant to the terms of the Purchase Agreement, that would have accrued at an interest rate of 8% per annum with respect to the Convertible Bond being converted for the period from the applicable date of conversion to the Maturity Date.

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- 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 the present value of interest, calculated pursuant to the terms of the Purchase Agreement, that would have accrued at an interest rate of 8% per annum relating to portion of the Convertible Bond being redeemed for the period from the applicable date of redemption to the Maturity Date.
- 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.

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- 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 Conversion Price

The initial Conversion Price of US\$1.25 per ChipMOS Share represents:

- a premium of approximately 78.6% over the closing price of US\$0.7 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 five consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 73.9% over the average closing price of US\$0.719 per ChipMOS Share, as quoted on Nasdaq Global Select Market for the last ten consecutive trading days up to and including the Last Trading Day;
- a premium of approximately 72.4% over the closing price of US\$0.725 per ChipMOS Share, as quoted on Nasdaq Global Select Market on the Latest Practicable Date; and
- a discount of approximately 71.9% to the audited net asset value attributable to shareholders per ChipMOS Share of approximately US\$4.44 as at 31 December 2008.

We have reviewed the terms of the convertible bonds issued by companies listed on the Stock Exchange in the past twelve months (the “Market Comparables”) and noted the terms vary. We are of the view that given

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differences in (i) the credit rating of the issuers; (ii) whether the convertible bonds have listing status; (iii) the repayment or redemption features; and (iv) maturity, the Market Comparables are not necessarily comparable with the Convertible Bond.

In the event ChipMOS chooses to settle the quarterly interest of the Convertible Bond by the issuance of ChipMOS Shares, the number of Interest ChipMOS Shares to be issued will depend on the issue price of Interest ChipMOS Shares, based on the weighted average price of the ChipMOS Shares for ten consecutive trading days ending on the sixth trading day prior to the applicable interest payment date. Given that the ChipMOS Shares are fairly liquid, we concur with the management of the Company that even if ChipMOS opt to pay the interest wholly in ChipMOS Shares, it would not be a critical concern to the Company. To the best knowledge of the management of the Company after discussion with ChipMOS Group, there was no default in interest payment on convertible bonds issued by ChipMOS in the past. No Conversion Shares or Interest ChipMOS Shares to be issued to PacMOS can be transferred until the date 180 days from the issuance date of the Convertible Bond unless the transfer is in full compliance with the Securities Act. If ChipMOS exercises the Compulsory Conversion, the Acquisition will turn out to be a successful investment, since the Company should enjoy a capital gain of 50% above the initial conversion price in those circumstances, in addition to an above-average coupon. It is at the discretion of the Company whether to hold the Conversion ChipMOS Shares or to realise its investment subject to the lock-up terms mentioned in this paragraph.

5. *Financial effects*

(a) *Effect on net assets*

As confirmed by the management of the Company, the Acquisition and the Compulsory Conversion are not expected to have any immediate effect on the net assets of the Group. Upon completion of the Acquisition, the Convertible Bond would be recognised as financial asset at fair value through profit and loss initially at its principal amount and will be subject to regular fair value assessment. Gains or losses arising from changes in the fair value will be recognised as other gains or losses in the period in which they arise and would affect the net assets position accordingly.

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(b) *Effect on earning and cashflow*

The Convertible Bond pays 8% interest per annum payable quarterly. As confirmed by the management of the Company, the interest income would be recognised as other income of the Group and is expected to have positive impact on the earnings of the Group. Should the interest be payable in ChipMOS Shares, the Interest ChipMOS Shares will be recognised as financial assets at fair value through profit and loss and would be subject to fair value assessment as described in the section headed “Effect on net assets”. The Interest ChipMOS Shares to be issued shall be entitled to dividend declared after issue by ChipMOS if any. Dividend then declared by ChipMOS shall also be recognised by the Group as other income and contribute positively to the Group’s earnings.

As confirmed by the management of the Company, the payment of US\$1.5 million (approximately HK\$11.7 million) of the principal amount of the Convertible Bond in cash is not expected to have a significant adverse effect on the Group’s working capital having considered its cash and bank balance of HK\$88.4 million and that the Group had no bank borrowings as at 30 June 2009.

DISCUSSION AND ANALYSIS

The Convertible Bond in our view is being issued on broadly standard terms. As it carries a relatively high coupon, it has no premium on redemption. There is no put option in favour of the investor and no “re-set” provision. The conversion price is at a substantial premium over recent market price of ChipMOS Shares, but at a significant discount to its net assets. The interest may be paid in ChipMOS Shares at the option of ChipMOS and the bonds may be converted compulsorily if among other things, the share price exceeds 150% of the conversion price for a certain period. Having considered (i) the attractive interest rate of 8% per annum when compared to other similar investments; (ii) the holder of the Convertible Bond is entitled to receive the present value of the interest that would have accrued for the period from the applicable date of conversion or redemption to the Maturity Date, whenever there is Compulsory Conversion or Discretionary Conversion or early redemption; and (iii) that the initial conversion price of US\$1.25 represents a discount of approximately 72% to the audited net asset value attributable to shareholders per ChipMOS Share of approximately US\$4.44 as at 31 December 2008, we are of the view that the overall terms of the Convertible Bond (including the Compulsory Conversion) are fair and reasonable.

LETTER FROM SOMERLEY

The Company's cash resources are placed as term deposits and had a balance of HK\$88.4 million as at 30 June 2009. The deposits are in Hong Kong dollars, US\$, NT\$ and Renminbi earning an average effective interest rate of 1.33% for the first half of 2009. The Convertible Bond are being issued on an unsecured basis but are transferable as long as transfer is made in accordance with the Securities Act. The management of the Company is confident of the long-term prospects of ChipMOS as the global economy recovers and considers it understands the business of ChipMOS. The Board has no current intention to dispose of the Convertible Bond in the short term. ChipMOS Shares were traded above the conversion price of US\$1.25 during most of the time since its listing in 2001 up till the outbreak of the worldwide financial tsunami in September 2008. Accordingly, we consider the Acquisition gives the Group flexibility (if it wishes) to acquire ChipMOS Shares at a reasonable cost compared to the long-term market price, while offering the Company a return of 8% in the meantime.

The subscription of convertible bonds of ChipMOS in an aggregate principal amount of US\$4 million (nearly three times the amount being invested by the Company) by the respective chairmen of ChipMOS and PacMOS represent votes of confidence on the prospects of ChipMOS. The subscription of convertible bonds in an aggregate principal amount of US\$4.12 million by four other independent investors on substantially the same terms to the Convertible Bond (including the Compulsory Conversion) is evidence that the terms are arm's length.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Purchase Agreement has been entered into by the Company on normal commercial terms. We further consider that the terms of the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition, the Compulsory Conversion and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Maggie Chan
Director

APPENDIX

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, 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 held	Percentage of the issued share capital of the Company (%)
Texan Management Limited (<i>note (1)</i>)	145,610,000	43.26
Vision2000 Venture Ltd. ("Vision2000") (<i>note (2)</i>)	106,043,142	31.5

APPENDIX

Notes:

- (1) Texan Management Limited (“Texan”) had notified the Company, as of 27 June 1997, it was interested in 145,610,000 Shares, representing approximately 43.3% of the Company’s issued share capital. All Dragon International Limited (“All Dragon”) had notified the Company, as of 27 June 1997, it was deemed to be interested in the 145,610,000 Shares held by Texan, as being the controlling corporation of Texan.

The Company had been provided with a judgment of the court dated 18 January 2008 (“Judgment”) in respect of an application for summary judgment (“Application”) by Pacific Electric Wire and Cable Company Limited (“Pacific Electric”) in the Legal Action (as defined below). Pursuant to the Judgment, it was held, among other things, Texan held the Shares owned by it upon trust for Pacific Electric. Pacific Electric had notified the Company on 22 January 2008 that Pacific Electric was the beneficial owner of the 145,610,000 Shares, representing approximately 43.26% of the Company’s issued share capital. The Company had also been notified by Texan that Texan would appeal against the Judgment and the findings made therein, including, the finding that Texan held the shares upon trust for Pacific Electric.

On 16 October 2008, the Company was notified that in compliance with the order of the Court (“Order”) which ordered Texan and Pacific Capital (Asia) Limited (“PC Asia”) to transfer their respective Shares (being 145,609,998 Shares for Texan and 1 Share for PC Asia) to PEWC Asset Holdings Limited (“PAH”), a wholly owned subsidiary of Pacific Electric, made pursuant to the Application, Texan and PC Asia had prepared documents for the transfer of their respective said Shares to be delivered to Pacific Electric. (On or about 27 February 2009, the said 145,609,999 Shares had been registered in the name of PAH.)

On 18 November 2008, PAH had notified the Company that PAH was interested, as nominee, in 145,609,999 Shares, representing approximately 43.26% of the Company’s issued share capital.

On 4 March 2009, the Company was notified by the solicitors acting for Texan and PC Asia of the following:

- (i) Texan and PC Asia, amongst others, had successfully appealed against the Order in the Court of Appeal on 2 and 3 March 2009; and
- (ii) the Court of Appeal ordered on 3 March 2009 that the Order be discharged.

On or about 20 August 2009, the Company was notified by the solicitors acting for, among others, All Dragon, Texan and PC Asia of the following:

- (i) pursuant to an order of the Court of Appeal dated 3 March 2009 (“Court of Appeal Order”), Pacific Electric was ordered by the Court of Appeal to procure PAH to transfer 145,609,999 Shares to Texan and PC Asia; and
- (ii) due to Pacific Electric’s non-compliance with the Court of Appeal Order, Texan and PC Asia applied to the court for the execution of the relevant share transfers by a judicial officer in place of PAH, and such application was approved by the court on 31 July 2009. Accordingly, the said 145,609,999 Shares had been transferred to Texan (as to 145,609,998 Shares) and to PC Asia (as to 1 Share).

APPENDIX

On 27 August 2009, the said 145,609,998 Shares and 1 Share had been registered in the name of Texan and PC Asia respectively.

The Legal Action refers to the legal action instituted by Pacific Electric, as plaintiff, on 23 September 2004 in the High Court of Hong Kong (“Legal Action”) against, among others, Texan and All Dragon in respect of, among others, shares of the Company held by Texan. Further details on the Legal Action are set out in the announcements of the Company dated 21 March 2006, 18 April 2006, 25 January 2008, 20 October 2008, 5 March 2009 and 25 August 2009.

- (2) Mosel Vitelic Inc. had notified the Company, as of 27 June 1997, it was deemed to be interested in the 106,043,142 shares held by Vision2000, as being the controlling corporation of Vision2000.

4. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS’ INTERESTS IN CONTRACTS ETC.

- (a) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting and was material in relation to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses, which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any other member of the Group.

APPENDIX

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change to the financial and trading position of the Group since 31 December 2008, being the date of the latest published audited financial statements of the Company.

8. CONSENT

As at the date of this circular, Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name and opinion in the form and context in which it appears in this circular.

As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe or to nominate persons to subscribe for securities in any member of the Group.

9. EXPERT'S QUALIFICATION AND INTERESTS IN THE GROUP'S ASSETS

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Somerley	A licensed corporation under the SFO which engages in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities.

10. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors, any proposed director or expert named in this circular had any direct or indirect interest in any assets which have been since 31 December 2008 (being the date to which the last published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

APPENDIX

11. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Chung Che Ling.
- (b) The principal share registrar and transfer office of the Company is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the Company's principal place of business in Hong Kong at 27th Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong up to and including date of the SGM:

- (a) the Purchase Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (c) the letter from Somerley the text of which is set out on pages 18 to 37 of this circular; and
- (d) the written consent referred to in paragraph 8 headed "Consent" of this appendix.



PACMOS TECHNOLOGIES HOLDINGS LIMITED

(弘茂科技控股有限公司) *

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of PacMOS Technologies Holdings Limited (“Company”) will be held at 2:30 p.m. on Tuesday, 9 February 2010 at Gloucester Room II, 3rd Floor, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong, to consider and, if thought fit, pass, with or without amendments or modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

1. the entering into of the conditional agreement dated 18 December 2009 (the “**Purchase Agreement**”) between the Company as subscriber and ChipMOS TECHNOLOGIES (Bermuda) LTD. (“**ChipMOS**”) as issuer, a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification, whereby the Company conditionally agreed to subscribe for, and ChipMOS conditionally agreed to issue, upon the terms and conditions set out in the Purchase Agreement, certain convertible bonds (the “**Convertible Bonds**”) due after 5 years from the date of the issuance in an aggregate principal amount of US\$1.5 million which would entitle the holder or ChipMOS to require the holder to convert the outstanding principal amount into up to 1,200,000 new ordinary share(s) of par value US\$0.01 each in the share capital of ChipMOS (“**Conversion ChipMOS Share**”) at the initial conversion price of US\$1.25 per Conversion ChipMOS Share (subject to adjustments as set out in the Purchase Agreement) (the “**Conversion Price**”), be and is hereby approved, confirmed and ratified and that the subscription of the Convertible Bonds by the Company upon the terms and conditions set out in the Purchase Agreement be and is hereby approved, and that the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider

* For identification purpose only

NOTICE OF SGM

necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Purchase Agreement and the transactions contemplated thereunder; and

- any conversion of the Convertible Bonds into Conversion ChipMOS Shares at the Conversion Price pursuant to the terms of the Convertible Bonds set out in the Purchase Agreement at the discretion of ChipMOS (“**Compulsory Conversion**”) be and is hereby approved, and that the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with any Compulsory Conversion.”

Yours faithfully,

PacMOS Technologies Holdings Limited

Chung Che Ling

Company Secretary

Hong Kong, 11 January 2010

Notes:

- A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and, in the event of a poll, vote in his stead. A proxy need not be a shareholder of the Company.
- In order to be valid, the form of proxy must be deposited at the Company’s Share Registrar in Hong Kong at Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong together with any power of attorney or other authority under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- The register of shareholders of the Company will be closed from 8 February 2010 to 9 February 2010 (both days inclusive) for the purpose of establishing the entitlement of shareholders to vote at the meeting convened by the above notice. During this period, no share transfers will be registered. In order to qualify for voting, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s Share Registrar in Hong Kong at Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 5 February 2010.
- Shareholders are recommended to read the circular of the same date of this notice of Special General Meeting despatched to shareholders which contains important information concerning the resolution set out in this notice.

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