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PacMOS

PACMOS TECHNOLOGIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(stock code: 1010)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

Financial Adviser



CIMB Securities (HK) Limited

THE DISPOSAL

Reference is made to the announcements of the Company dated 21 March 2011 and 1 September 2011 regarding the entering into of a non-legally binding LOI in relation to a possible disposition of the equity interests in SyncMOS Technologies by its shareholders.

The Board is pleased to announce that on 2 December 2011, the Agreement was entered into between the Selling Stockholder and the Purchaser with regards to the disposal of the Sale Shares, representing approximately 55% of the equity interest in SyncMOS Technologies, for an aggregate consideration of NT\$106,870,500 (equivalent to approximately HK\$27,402,692), which shall be satisfied in cash.

SyncMOS Technologies is an indirect non wholly-owned subsidiary of the Company. SyncMOS Technologies is principally engaged in the design and distribution of integrated circuits and semiconductor parts in the Taiwan market.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules represent more than 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

As the Purchaser is a substantial shareholder of SyncMOS Technologies as at the date of this announcement, the Purchaser is a connected person to the Company. As such, the transaction contemplated under the Agreement constitutes a connected transaction of the Company under the Listing Rules. Accordingly, the Purchaser and its associates, if holding any Shares, will be required to abstain from voting in respect of the resolution approving the Agreement and the transactions contemplated thereunder.

A circular containing, inter alia, (i) further details of the Agreement and the Disposal; (ii) the recommendation of the independent board committee to the Independent Shareholders; (iii) the letter from an independent financial advisor to both the independent board committee and the Independent Shareholders; and (iv) the notice of SGM, will be despatched to the Shareholders on or before 23 December 2011.

As the Disposal is conditional upon fulfillment of certain conditions, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

Reference is made to the announcements of the Company dated 21 March 2011 and 1 September 2011 regarding the entering into of a non-legally binding LOI in relation to a possible disposition of the equity interests in SyncMOS Technologies by its shareholders.

The Board is pleased to announce that on 2 December 2011, the Agreement was entered into between the Selling Stockholder and the Purchaser with regards to the disposal of the Sale Shares, representing approximately 55% of equity interest of SyncMOS Technologies, for an aggregate consideration of NT\$106,870,500 (equivalent to approximately HK\$27,402,692), which shall be satisfied in cash.

THE AGREEMENT

Date: 2 December 2011

Parties: (1) the Purchaser as purchaser
(2) the Selling Stockholder as vendor

As disclosed in the Company's announcement dated 1 September 2011, the Company has been informed by Mou Fu that it entered into an agreement with the Purchaser on 30 August 2011 for the disposition of its entire equity interest subject to certain conditions precedents to be completed. To the best of the Directors' knowledge, the disposition was completed on 1 December 2011. As at the date of this announcement, SyncMOS Technologies is approximately 55% owned by SyncMOS BVI, a wholly owned subsidiary of the Company, and approximately 24.2% owned by the Purchaser, approximately 4.4% owned by directors and/or chief executives of Mosel and their subsidiaries and approximately 16.4% owned by, to the best of the Directors' knowledge, information and belief, independent third parties. As the Purchaser is a substantial shareholder of SyncMOS Technologies as at the date of this announcement, the Purchaser is a connected person to the Company.

Subject of the Disposal: the Sale Shares, representing approximately 55% of the equity interest in SyncMOS Technologies

Consideration: NT\$106,870,500 (equivalent to approximately HK\$27,402,692)

Conditions precedent: The Disposal shall be conditional upon, among others:

- (i) the representations and warranties of the Purchaser and the Selling Stockholder contained in the Agreement shall be true and complete on and as of the Closing Date as though made at and as of that date, and the Purchaser and the Selling Stockholder should have delivered to each other a certificate to such effect;
- (ii) the Purchaser and the Selling Stockholder shall have performed and complied with all terms, agreements, covenants and conditions of the Agreement to be performed or complied with by it on or prior to the Closing Date; and
- (iii) on the Closing Date, there shall be no actions pending or threatened pertaining to the transactions contemplated hereby or to their consummation.

Closing Date: Closing Date shall take place within 5 business days following the date on which the above conditions have been fulfilled (or such other time, date and place as the Company and the Purchaser may agree in writing) but in no event later than 16 January, 2012.

Basis of consideration

The consideration was determined after arms' length negotiations between the Purchaser and the Selling Stockholder, taking into account (i) the adjusted net assets value of SyncMOS Technologies as at 30 June 2011 of approximately HK\$40.1 million after taking into account the effect of the Capital Reduction (as defined below); (ii) the scale and size of the integrated circuits and semiconductor parts market in Taiwan; (iii) the historical financial performance of SyncMOS Technologies; and (iv) the industry outlook of the integrated circuits and semiconductor parts design and distribution business in Taiwan.

INFORMATION ON SYNCMOS TECHNOLOGIES

SyncMOS Technologies is an indirect non wholly-owned subsidiary of the Company established in Taiwan. As at the date of this announcement, the Company holds approximately 55% of the equity interest in SyncMOS Technologies indirectly. SyncMOS Technologies is principally engaged in the business of design and distribution of integrated circuits and semiconductor parts in the Taiwan market.

According to the unaudited management accounts of SyncMOS Technologies, which was prepared under Hong Kong Financial Reporting Standards, the net assets value of SyncMOS Technologies as at 30 June 2011 was approximately HK\$78.5 million. For the two years ended 31 December 2010, the unaudited net loss before and after taxation of SyncMOS Technologies are as follows:

	For the financial year ended	
	31 December	
	2009	2010
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(unaudited)	(unaudited)
Net loss before taxation	7.0	6.5
Net loss after taxation	7.0	6.5

To return its idle assets to its shareholders prior to the Disposal, SyncMOS Technologies underwent a capital reduction at the amount of NT\$150.0 million (equivalent to approximately HK\$38.4 million) (the "Capital Reduction"), which was undertaken on a pro-rated basis amongst all shareholders. The Capital Reduction, including the distribution of cash to shareholders on a pro-rated basis, is permitted under the relevant laws and regulations in Taiwan and the Company's articles of association. The Capital Reduction was approved by the shareholders of SyncMOS Technologies on 16 September 2011 and by the Hsinchu Science Park on 25 October 2011 and was completed on 14 November 2011.

After taking into account the Capital Reduction, the adjusted net assets value of SyncMOS Technologies as at 30 June 2011 would be approximately HK\$40.1 million. The Capital Reduction was completed on 14 November 2011 and the Company received approximately NT\$82.5 million (equivalent to approximately HK\$21.2 million) as a result of the Capital Reduction.

REASONS AND BENEFITS OF THE DISPOSAL

SyncMOS Technologies has been suffering losses for the past three years. During the two years ended 31 December 2009 and 2010, SyncMOS Technologies recorded net loss after taxation of approximately HK\$7.0 million and HK\$6.5 million, respectively. The business outlook for the design and distribution of integrated circuits and semiconductor parts in the Taiwan market is overshadowed by the increase in market competition amongst the players in the industry, which has significantly been affecting the demand for SyncMOS Technologies' products. In addition to the decrease in demand for SyncMOS Technologies' products, SyncMOS Technologies has also been lagging behind its competitors in the industry in developing new and innovative products to meet customers' ongoing needs for product variety. The management of the Company considers that the Disposal represents a good opportunity for the Group to realize its investment in SyncMOS Technologies, which has been incurring losses for the past three years and experiencing a decrease in demand for its products in the Taiwan market, at a premium over the Group's carrying value of SyncMOS Technologies.

Furthermore, the Disposal will not only improve the Group's balance sheet and liquidity position but also enable the Group to focus on expanding its businesses in the PRC through SyncMOS Shanghai. Similar to SyncMOS Technologies in terms of business operations, SyncMOS Shanghai is principally engaged in the design, distribution and trading of integrated circuit products in the PRC. By shifting the Group's focus to the PRC market, the Group will utilize part of the proceeds from the Disposal and the Capital Reduction to expand its PRC businesses. In particular, the Group intends to carry out advertising campaigns for SyncMOS Shanghai in the PRC in order to improve its brand image and recruit about ten more technical staff and five more marketing staff to support and enhance its research and development and sales and marketing functions. Upon completion of the Disposal, the Group expects to have a total of approximately 45 staff. SyncMOS Shanghai also produces micro-controller units, which are integrated circuits containing processor core, memory, and programmable input/output peripherals mostly used in automatically controlled products and devices, such as automobile engine control systems, implantable medical devices, remote controls, office machines, appliances, power tools, toys and other embedded systems. As the practical application of micro-controller units is very wide and the PRC economy continues to grow, the management of the Company anticipates that the size of the micro-controller units market will continue to expand in the foreseeable future and considers that SyncMOS Shanghai is well positioned to capture such market expansion. The Directors therefore expect the Group's businesses in the PRC to grow in the future. The Directors consider that the Group will have sufficient resources for its direct and indirect overheads and administrative functions for its remaining businesses after completion of the Disposal.

The gross proceeds from the Disposal and the amount received pursuant to the Capital Reduction amount to approximately NT\$189.4 million (equivalent to approximately HK\$48.6 million) in aggregate. The Group intends to apply the net proceeds (after reduction for professional fees and related expenses) from the Disposal and the Capital Reduction of approximately HK\$46.3 million for the expansion of SyncMOS Shanghai's business operations, investment opportunities which may arise from time to time and as general working capital. As of the date of this announcement, the Company has not entered into any formal agreement, arrangement, understanding, intention or negotiation with any parties regarding any acquisitions in relation to its businesses in the PRC.

The Directors, excluding the independent non-executive Directors who will express their views on the transactions contemplated under the Agreement in the circular to be despatched to the Shareholders after receiving advice from the independent financial adviser, consider that the terms of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited net asset value of SyncMOS Technologies as at 30 June 2011 and taking into account the Capital Reduction, the Group will recognize a gain on disposal of SyncMOS Technologies of approximately HK\$10.6 million. The gain is computed based on the consideration of NT\$106,870,500 (equivalent to approximately HK\$27.4 million), 55% of the unaudited net asset value of SyncMOS Technologies of approximately HK\$22.0 million as adjusted by the Capital Reduction of SyncMOS Technologies as at 30 June 2011, realization of reserves of SyncMOS Technologies as at 30 June 2011 of HK\$7.5 million less estimated direct expenses of HK\$2.3 million. Shareholders should note that the exact amount of gain/loss of the Disposal to the Group would be calculated based on net assets value as at Closing Date and therefore may be different from the amount mentioned above.

Upon completion of the Disposal, the Company will cease to hold any equity interest in SyncMOS Technologies and SyncMOS Technologies will cease to be a subsidiary of the Company. The revenue and assets of the Taiwan segment as disclosed in the Company's annual report for the year ended 31 December 2010 and the Company's interim report for the 6 months ended 30 June 2011 were solely contributed by SyncMOS Technologies and the Group will cease all business operations in Taiwan upon completion of the Disposal.

INFORMATION ON THE COMPANY

The Company is an investment holding company with its shares listed on the Main Board. The Company is principally engaged in the design and distribution of integrated circuits and semiconductor parts and investments holding.

“Closing Date”	completion of the Disposal pursuant to the Agreement, which shall occur within five business days following the date upon which all conditions precedents have been satisfied, but in no event later than 16 January 2012 unless both the Purchaser and the Selling Stockholder consent in writing to an extension beyond such date;
“Company”	PacMOS Technologies Holdings Limited, a company incorporated in Bermuda with limited liabilities, the Shares of which are listed on the Main Board;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	the directors of the Company;
“Disposal”	the proposed disposal of the Sale Shares pursuant to the Agreement;
“GAAP”	generally accepted accounting principles;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	shareholders other than the Purchaser and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board;
“LOI”	the non-legally binding letter of intent dated 21 March 2011 entered into among the Company, Mou Fu, SyncMOS Technologies and the Purchaser in relation to a possible disposition of equity interests in SyncMOS Technologies by its shareholders;
“Main Board”	the Main Board of the Stock Exchange;
“Mosel”	Mosel Vitelic Inc., a company incorporated in Taiwan with limited liabilities, the shares of which are listed on the Taiwan Stock Exchange and a controlling shareholder of the Company;
“Mou Fu”	Mou-Fu Investment Ltd., a company incorporated in Taiwan with limited liabilities and a wholly owned subsidiary of Mosel;

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Purchaser”	On-Bright Electronic Incorporated, a company incorporated in the Cayman Islands with limited liabilities;
“Sale Shares”	9,350,000 issued shares in SyncMOS Technologies, representing approximately 55% of the issued share capital of SyncMOS Technologies as at the date of this announcement;
“Selling Stockholder”	the Company and SyncMOS BVI, collectively;
“SGM”	the special general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder;
“Share(s)”	the share(s) of HK\$0.1 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SyncMOS BVI”	SyncMOS Technologies, Inc., a company incorporated in the British Virgin Islands with limited liabilities and a wholly owned subsidiary of the Company;
“SyncMOS Shanghai”	Shanghai SyncMOS Semiconductor Company Limited, a company incorporated in the PRC with limited liabilities and a wholly-owned subsidiary of the Company;
“SyncMOS Technologies”	SyncMOS Technologies International, Inc., a company incorporated in Taiwan with limited liabilities and an indirect non wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“NT\$” New Taiwan Dollars, the lawful currency of Taiwan; and

“%” per cent.

On behalf of the Board of
PacMOS Technologies Holdings Limited
Yip Chi Hung
Chairman

An exchange rate of 3.90 is used in this announcement for all currency exchange from NT\$ to HK\$.

Hong Kong, 2 December 2011

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