



# PACMOS TECHNOLOGIES HOLDINGS LIMITED

(弘茂科技控股有限公司)\*

(Incorporated in Bermuda with Limited Liability)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

The Directors have the pleasure of presenting the unaudited results of PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June 2002.

### CONDENSED CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2002

		<b>Unaudited</b>	
		<b>six months ended 30th June</b>	
		<b>2002</b>	<b>2001</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>35,973</b>	41,746
Cost of sales		<b>(27,782)</b>	(32,944)
Gross profit		<b>8,191</b>	8,802
Other revenues		<b>1,055</b>	2,477
Distribution costs		<b>(2,213)</b>	(4,298)
General and administrative expenses		<b>(13,864)</b>	(20,572)
Other operating income/(expenses)	3	<b>34,679</b>	(34,831)
Profit/(loss) from operations	4	<b>27,848</b>	(48,422)
Finance costs		<b>(1,309)</b>	(3,041)
Profit/(loss) before taxation		<b>26,539</b>	(51,463)
Taxation		<b>(188)</b>	(209)
Profit/(loss) before minority interests		<b>26,351</b>	(51,672)
Minority interests		<b>2,003</b>	(655)
Net Profit/(loss) attributable to shareholders		<b>28,354</b>	(52,327)
Basic earnings/(loss) per share	5	<b>8.4 cents</b>	(15.6 cents)
Diluted earnings/(loss) per share	5	<b>N/A</b>	N/A

# NOTES TO UNAUDITED CONSOLIDATED RESULTS

## 1. Basis of presentation

The accounting policies and methods of computation used in the preparation of the condensed consolidated results are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the new Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002.

## 2. Segment information

Analysis of turnover and contribution to profits/(loss) from operations by geographical location is as follows:

	<b>Turnover Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	3,122	3,178
Taiwan	30,065	31,721
The People's Republic of China	2,786	6,847
	<u>35,973</u>	<u>41,746</u>
	<b>Contribution to profit/(loss) from operations Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	3,122	3,178
Taiwan	3,175	(140)
The People's Republic of China	1,894	5,764
	<u>8,191</u>	<u>8,802</u>
Gross profit	8,191	8,802
Other revenue	1,055	2,477
Income/(expenses), net	18,602	(59,701)
	<u>27,848</u>	<u>(48,422)</u>

### 3. Other operating income/(expenses)

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Unrealised gain arising from mark-to-market valuation of other investments	32,458	—
Provision for diminution in value of other investments	(35)	(36,409)
Write-back of provision for doubtful debts	249	1,178
Negative goodwill recognised as income	400	400
Refund of withholding tax on prior years' dividend income received on overseas other investments	1,539	—
Gain on sale of other investments	68	—
	<u>34,679</u>	<u>(34,831)</u>

### 4. Profit /(loss) from operations

Profit/(loss) from operations is arrived at after charging:

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Depreciation of fixed assets	1,231	452
Amortisation of intangible assets	1,764	1,586
Provision for inventory obsolescence	1,368	2,801
Provision for doubtful debts	145	311
Research and development costs	7,498	8,721

### 5. Earnings /(loss) per share

The calculation of basic earnings per share for the six months ended 30th June 2002 was based on the consolidated net profit attributable to shareholders of approximately HK\$28,354,000 (2001 — loss of HK\$52,327,000) and the weighted average number of 336,587,142 (2001 — 336,587,142) shares in issue during the period.

Diluted earnings per share for the six months ended 30th June 2002 was not presented as there was no dilution effect on the earnings per share.

## RESULTS

For the six months ended 30th June 2002, the Group achieved a turnover of approximately HK\$36.0 million as compared to approximately HK\$41.7 million of the corresponding period last year. The net profit attributable to shareholders was approximately HK\$28.4 million, as compared to a loss of approximately HK\$52.3 million of the corresponding period last year.

## **DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2002.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Design and trading of integrated circuits and distribution of products*

The market demand in this business segment remained sluggish in the first two quarters of this year. This segment registered a turnover of approximately HK\$32.9 million, dropped approximately 15% as compared to that of the same period last year. However, the gross profit margin remained at around 15%, close to that of last year. With efforts to cut overhead costs, the loss from operations had reduced to approximately HK\$8.2 million as compared to approximately HK\$14.9 million for the corresponding period of last year.

#### *Investment property holding*

The income from the investment property in Hong Kong remained stable for the period under review. A gross rental income of approximately HK\$3.1 million was registered.

#### *Investments holding*

An unrealized gain of approximately HK\$32.4 million was obtained due to mark-to-market valuation as at 30th June 2002 for the Group's investment in ChipMOS Technologies (Bermuda) Ltd. The market price of the investment, which is listed on NASDAQ, has recovered significantly as compared to that of last year.

### **Liquidity and Financial Resources**

As at 30th June 2002 the cash and cash equivalents held by the Group amounted to approximately HK\$35.4 million and the total outstanding bank loans of the Group was approximately HK\$72.7 million, of which approximately HK\$37.5 million were long term loans. The Group recorded a net cash outflow from operating activities of approximately HK\$4.7 million for the period.

### **Capital Structure**

There was no change in the share capital of the Company during the period. The net profit attributable to shareholders for the period of approximately HK\$28.4 million was transferred to the retained profits, making up the reserves of the Group to approximately HK\$123.3 million as at 30th June 2002.

### **Gearing Ratio**

The gearing ratio of the Group, as defined as total liabilities (excluding capital, reserves and minority interest) expressed as a percentage of total assets, was approximately 38.3% as compared to approximately 40.4% as at 31st December 2001.

During the period, the Group arranged a ten-year term loan of HK42.0 million by pledging the Group's investment property at 18 Lee Chung Street, Chai Wan, Hong Kong. The funds obtained were then used to repay part of the short-term bank borrowings of the Group.

With the reduction of interest rates and the total bank borrowings, the finance cost reduced to approximately HK\$1.3 million against that of approximately HK\$3.0 million for the corresponding period of last year.

### **Foreign Currency Exposure**

During the period, the Group recognized in the income statement an exchange gain of approximately HK\$0.7 million. In addition, an exchange adjustment of approximately HK\$1.0 million, mainly attributed to the translation of the accounts of overseas operations denominated in New Taiwan Dollars upon consolidation, was credited to the exchange reserve.

### **Investments and Capital Assets**

With the improvement in share price of ChipMOS Technologies (Bermuda) Ltd., the value of the other investments of the Group appreciated to approximately HK\$139.1 million as at 30th June 2002 against that of approximately HK\$83.2 million as at 31st December 2001.

### **Charge on Assets**

During the period under review, the investment property at 18 Lee Chung Street, Chai Wan, Hong Kong was pledged to a bank to secure a ten-year term loan of HK\$42.0 million.

As at 30th June 2002, bank deposits of approximately HK\$5.5 million were pledged for banking facilities.

### **Human Resources**

In order to improve working efficiency and reduce operating overheads, the number of staff in the Group was reduced to approximately 70 as at 30th June 2002 as compared to approximately 113 as at 31st December 2001.

### **Contingent Liabilities**

As at 30th June 2002, the Group did not have any material contingent liabilities.

### **Future Plans and Prospects**

Although the demands for integrated circuit products have not recovered as expected previously, the management has made efforts to reduce operating overheads during the period. With the expectation of a gradual recovery of the industry, the management is anticipating a further improvement in its results in the second half of the year.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June 2002.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June 2002 with the directors.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period covered by this interim report except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at the annual general meeting in accordance with the By-laws of the Company.

### **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Exchange's website in due course.

By order of the Board  
**Seto Yee Woon, John**  
*Chairman*

Hong Kong, 18th September, 2002

\* *for identification purposes only*

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