



PacMOS Technologies Holdings Limited

(弘 茂 科 技 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF CONSOLIDATED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2002

The Directors of PacMOS Technologies Holdings Limited (“the Company”) are pleased to announce the audited consolidated results for the Company and its subsidiaries (collectively referred hereafter as “the Group”) for the year ended 31st December 2002.

AUDITED CONSOLIDATED RESULTS For the year ended 31st December 2002

	<i>Note</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Note 5)</i>
Turnover	2	76,233	92,979
Cost of sales		(56,798)	(67,787)
Gross profit		19,435	25,192
Other revenues		319	6,155
Distribution costs		(3,975)	(8,693)
General and administrative expenses		(27,430)	(40,324)
Other operating income/(expenses)		22,774	(49,568)
Profit/(loss) from operations		11,123	(67,238)
Finance costs		(2,405)	(5,098)
Profit/(loss) before tax	3	8,718	(72,336)
Taxation		(394)	(590)
Profit/(loss) before minority interests		8,324	(72,926)
Minority interests		3,585	4,228
Net profit/(loss) attributable to shareholders		11,909	(68,698)
Basic earnings/(loss) per share	4	3.54 cents	(20.41) cents
Diluted earnings/(loss) per share	4	N/A	N/A

NOTES TO AUDITED CONSOLIDATED RESULTS

1. Basis of Presentation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Segment Information

An analysis of turnover and contribution to the Group's results by business segment and geographical location is set out below:

(a) By business segment:

	Turnover		Profit/(loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000 (Note 5)
Design and trading of integrated circuits, provision of agency services and distribution of semi-conductor parts of third parties	70,109	88,320	(13,684)	(18,983)
Investment property holding	6,124	6,446	3,367	4,483
Investment holding	—	—	51,452	(54,901)
Unallocated amounts and eliminations	—	(1,787)	(30,012)	2,163
	<u>76,233</u>	<u>92,979</u>	<u>11,123</u>	<u>(67,238)</u>
Finance costs			<u>(2,405)</u>	<u>(5,098)</u>
Profit/(loss) before tax			<u>8,718</u>	<u>(72,336)</u>

(b) By geographical location:

	Turnover		Contribution to net profit/(loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000 (Note 5)
Hong Kong	6,124	6,446	6,124	6,446
Taiwan	63,656	76,298	9,270	10,863
The People's Republic of China	6,453	10,235	4,041	7,883
	<u>76,233</u>	<u>92,979</u>	<u>19,435</u>	<u>25,192</u>
Other revenues			319	6,155
Expenses, net			<u>(11,036)</u>	<u>(103,683)</u>
Profit/(loss) before tax			<u>8,718</u>	<u>(72,336)</u>

3. Profit/(loss) before tax was determined after charging and crediting the following major items:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Charging:		
Depreciation of fixed assets	3,342	1,272
Amortisation of intangible assets	3,667	3,165
Staff costs	15,958	27,238
Research costs	13,210	18,776
Unrealised loss arising from mark-to-market valuation of other investments	241	52,362
Crediting:		
Unrealised gain arising from mark-to-market valuation of other investments	17,504	—

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the year ended 31st December 2002 is based on the consolidated net profit attributable to shareholders of approximately HK\$11,909,000 (2001: net loss of approximately HK\$68,698,000) and the weighted average number of 336,587,142 shares (2001: 336,587,142 shares) in issue during the year.

Diluted earnings per share is not presented as there is no dilutive effect on the earnings per share for 2002.

5. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation. Gain on sale of other investments of approximately HK\$476,000 previously included in the account caption "Other revenue" has been reclassified to "Other operating income". Additionally, other operating income of approximately HK\$476,000 has been reclassified from the segment of "Design and trading of integrated circuits, provision of agency services and distribution of semi-conductor parts of third parties" to the segment of "Investment holding".

RESULTS

For the year ended 31st December 2002, the Group recorded a turnover of approximately HK\$76.2 million as compared to approximately HK\$93.0 million last year. The net profit attributable to shareholders was approximately HK\$11.9 million as compared to the loss of approximately HK\$68.7 million last year.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31st December 2002.

BUSINESS REVIEW

The Group have been engaging in three main business segments, namely, (1) Design and trading of integrated circuits, provision of agency services and distribution of semi-conductor parts of third parties; (2) Investment property holding; and (3) Investment holding.

Design and trading of integrated circuits, provision of agency services and distribution of semi-conductor parts of third parties

The market demand in this business segment remained sluggish during the year. The turnover of this business segment dropped approximately 21% to approximately HK\$70.1 million. During the year, efforts were made in order to improve the yield of our products. Measures were taken to control the quality of goods from suppliers, back-end processing and testing procedures were reviewed and non-performing product lines were terminated. Considerable improvements have been obtained in yield percentage and back-end costs savings since the fourth quarter. With tight control on other overhead costs and staff headcounts, the operating loss in this business segment was reduced to HK\$13.7 million as compared to approximately HK\$19.0 million last year.

Investment property holding

The total rentals received during the year amounted to approximately HK\$6.1 million, more or less the same as that of last year. Profit from operations for this segment decreased to approximately HK\$3.4 (2001: approximately HK\$4.5 million), mainly attributable to additional maintenance works carried out during the year. The occupancy rate dropped to approximately 74% as at 31st December 2002, due to terminations of some leases near the year end.

Investment Holding

The major other investment held by the Group is the shares in ChipMOS Technologies (Bermuda) Limited, which is listed in NASDAQ. For the year under review, an unrealised gain of approximately HK\$17.5 million (2001: loss of approximately HK\$52.3 million) was obtained as a result of mark-to-market valuation as at 31st December 2002.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2002, the cash and cash equivalents held by the group was approximately HK\$33.8 million (2001: approximately HK\$66.3 million).

For the year under review, the Group recorded a net cash outflow from operating activities of approximately HK\$12.3 million. Other major cash outflows during the year included purchase of fixed assets of approximately HK\$10.7 million and net repayment of bank loans of approximately HK\$11.0 million.

As at 31st December 2002, the outstanding bank loans of the Group amounted to approximately HK\$62.0 million (2001: approximately HK\$73.0 million).

During the year, the Group arranged a ten-year term loan of HK\$42.0 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 the short-term bank loans of the Group.

The management will exercise due care in managing its funding arrangements with an objective of maintaining a comfortable cash flow to meet operational requirements.

GEARING RATIO

The gearing ratio of the Group, as defined as total liabilities (excluding capital, reserves and minority interest) expressed as a percentage of the total assets, was approximately 36.9% (2001: approximately 40.4%).

Attributed to the reduction of interest rates and the total bank borrowings, the finance cost of the Group decreased to approximately HK\$2.4 million against that of approximately HK\$5.1 million last year.

FOREIGN CURRENCY EXPOSURE

With sales and associated costs were mainly negotiated and settled in NT dollars, the Group was not exposed to substantial foreign currency exposure in its daily operations. The management will continue to monitor the matching of currencies of its investments and borrowings so as to minimize the Group's currency exposure.

During the year, the Group recorded an exchange loss of approximately HK\$0.3 million in the profit and loss account while an exchange difference of approximately HK\$0.2 million was credited to exchange reserves on translation of accounts of overseas subsidiaries upon consolidation.

CAPITAL STRUCTURE

There was no change in the share capital structure of the Company during the year. The net profit attributable to shareholders of approximately HK\$11.9 million was credited to reserves. As at 31st December 2002, the total shareholders funds of the Group amounted to approximately HK\$132.8 million (2001: approximately HK\$127.6 million).

INVESTMENTS AND CAPITAL ASSETS

The value of the Group's other investment appreciated to approximately HK\$102.8 million as compared to approximately HK\$83.2 million last year. The appreciation was mainly attributed to the mark-to-market valuation on the Group's major other investment listed in NASDAQ, ChipMOS Technologies (Bermuda) Limited, resulting in an unrealised gain of approximately HK\$17.5 million.

During the year, the Group purchased fixed assets of approximately HK\$10.7 million to improve its operating efficiency and enhance its product portfolio. The fixed assets purchased included various specifications of masks and probe-cards from Mosel Vitelic Inc., an indirect substantial shareholder of the Company, of approximately HK\$6.2 million.

The investment property at 18 Lee Chung Street, Chai Wan, Hong Kong held by the Group was valued at HK\$56.0 million as at 31st December 2002 (2001: HK\$63.0 million) by an independent valuer. The difference in value of HK\$7.0 million was charged to the investment property revaluation reserve.

CHARGE ON ASSETS

During the year, the Group's investment property at 18 Lee Chung Street, Chai Wan, Hong Kong was mortgaged to a bank to secure a ten-year term loan with outstanding loan balance as at 31st December 2002 amounted to approximately HK\$38.9 million.

In addition, the Group's rental income and rental deposits were assigned in favour of the bank in respect of the mortgaged investment property. As at 31st December 2002, the amount of restricted cash deposit was approximately HK\$1.6 million (2001: Nil).

As at 31st December 2002, bank deposits of approximately HK\$3.9 million (2001: approximately HK\$4.7 million) were pledged for banking facilities granted.

SEGMENT INFORMATION

The Group's main business was design and trading of integrated circuits. The turnover of this segment amounted to approximately 92% (2001: approximately 95%) of the Group's turnover. Geographically, approximately 84% (2001: approximately 82%) of the total turnover was contributed by the Taiwan operations. Note 2 to audited consolidated results sets out more details on segmental analysis.

HUMAN RESOURCES

The Group offers competitive remuneration package to our employees so as to retain and attract knowledgeable and experienced staff. Apart from salary payments, other benefits to staff include contributions to provident fund and medical benefits. Our salary review is conducted annually and is based on the performance of individual staff. In addition, suitable and up to date training programs are provided to employees for their development.

As at 31st December 2002, the total number of staff of the Group was approximately 67, as compared to approximately 113 as at 31st December 2001.

CONTINGENT LIABILITIES

As at 31st December 2002, the Company provided corporate guarantees of approximately HK\$58.4 million (2001: approximately HK\$69.4 million) to financial institutions for banking facilities utilized by its subsidiaries.

FUTURE PLANS AND PROSPECTS

Looking ahead, the Group will continue to focus on its main business of design and trading of integrated circuit products.

During the year, the Group has successfully strengthened its competitiveness by improving its processing efficiency and products quality. Furthermore, reported forecasts generally predict that the semi-conductor industry will have a positive outlook in 2003.

The Group will continue to focus on development of MCUs and flash memories products with emphasis on the Greater China region. In addition, the management will look for appropriate investment opportunities that can enhance the Group's main business.

With the expected improvement in the semi-conductor industry, we are confident that the performance of the Group's main business of design and trading of integrated circuit products, will further improve in the coming 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 year ended 31st December 2002.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for the Formation of An Audit Committee” published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluations. The Committee comprises two independent non-executive directors. Two meetings were held during the current financial year.

COMPLIANCE WITH CODE OF BEST PRACTICE

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 throughout the year covered by this annual 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 45(1) to 45(3) 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, 8th April 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 27th June, 2003 at 10:00 a.m. for the following purposes:—

1. To receive and adopt the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2002.
2. To determine the maximum number of Directors, to re-elect the retiring Director by rotation pursuant to the Company's Bye-Laws and to authorize the Directors to fix their remuneration.
3. To appoint Auditors and to authorise the Directors to fix their remuneration. A special notice has been received, proposing to re-elect PricewaterhouseCoopers, the retiring Auditors who was appointed Auditors of the Company by the Directors on 23rd July, 2002 to fill the vacancy occasioned by the resignation of Arthur Andersen & Co.

Special business

4. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“THAT:—

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“Shares”), securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares and to make or grant offers, agreements and options which will or may require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which will or may require the exercise of such powers during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than by way of (i) a Rights Issue (as hereinafter defined), or (ii) an issue of Shares upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares, or (iii) an issue of Shares upon the exercise of subscription rights attaching to any warrants of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:—

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; and
- (iii) the authority set out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.

“Rights Issue” means an offer of shares in the Company open for a period fixed by the Directors to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

5. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“**THAT:**—

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares in the capital of the Company (“Shares”) and securities which carry a right to subscribe or purchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorize the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase Shares, warrants of the Company and other securities carrying the right to subscribe or purchase Shares at any price determined by the Directors;
- (c) the aggregate nominal amount of the securities of the Company to be purchased by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the authority pursuant to paragraph (a) shall be limited accordingly; and

- (d) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; and
 - (iii) the authority set out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.”

6. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“**THAT** conditional upon the resolutions numbered 4 and 5 contained in the notice convening this meeting of which this resolution forms part (the “Notice”) being passed, the aggregate nominal amount of the share capital of the Company purchased by the Company after the date of passing this resolution (up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the resolution numbered 4 contained in the Notice.”

By order of the Board
Chung Che Ling
Company Secretary

Hong Kong, 8th April, 2003

Principal Office:
12th Floor, PCL Group Building
18 Lee Chung Street
Chai Wan
Hong Kong

Notes:

- (1) 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 member of the Company.
- (2) In order to be valid, the form of proxy must be deposited at the Company’s Share Registrar in Hong Kong at Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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.

- (3) The Register of Shareholders of the Company will be closed from Saturday, 21st June, 2003 to Thursday, 26th June, 2003 (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 transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrar in Hong Kong at Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20th June, 2003.

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