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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 TRANSACTION DISPOSAL OF PROPERTY AND UPDATE ON LEGAL ACTION**

#### **DISCLOSEABLE TRANSACTION**

The Board announces that the Vendor, a wholly owned subsidiary of the Company, accepted an offer on 15 November 2004 contained in the Offer Letter given by the Purchaser, an independent third party, and entered into the Provisional Agreement on 23 November 2004 with the Purchaser, for the Vendor's disposal of the Property to the Purchaser at a total cash consideration of HK\$51,700,000. The entry into of the Offer Letter by the Vendor and the Provisional Agreement constitute legally binding agreement between the Vendor and the Purchaser for the sale and purchase of the Property.

The disposal of the Property constitutes a discloseable transaction of the Company for the purposes of the Listing Rules. A circular of the Company containing details relating to the disposal of the Property and information on the Company will be despatched to the shareholders of the Company as soon as practicable.

#### **LEGAL ACTION**

The Board also refers to the announcement of the Company dated 8 October 2004 in relation to a legal action instituted against, amongst others, Texan Management Limited, a substantial shareholder of the Company, and certain former executive directors of the Company and a current executive director of the Company. The Board has obtained a copy of the writ of summons pertaining to this action and has passed the copy of the writ to the Company's legal counsels to assess if this action has any legal implications for the Company and for the purposes of preparing a further announcement of the Company containing a more detailed description of the particulars of this writ. This further announcement will be made as soon as practicable. The Board is not aware of any material development in this action since the last announcement of the Company dated 8 October 2004.

Trading in the shares of the Company was suspended at the Company's request with effect from 9:44 a.m. on 27 September 2004 and will remain suspended pending the release of a further announcement in relation to the legal action mentioned above.

## **Offer Letter and Provisional Agreement**

### *Offer Letter*

Date : The Offer Letter is dated 2 November 2004.  
The Vendor countersigned the Offer Letter on 15 November 2004.

### *Provisional Agreement*

Date : The Provisional Agreement is dated 23 November 2004.

### Parties

Vendor : Wellba Investment Limited, a wholly-owned subsidiary of the Company

Purchaser : New Empire Properties Limited, which was introduced to the Vendor through a property agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, together with its ultimate beneficial owner(s), and the property agent mentioned above are third parties independent of and not connected with the Company and connected persons of the Company (within the meaning of the Listing Rules).

## **Property**

The Property is an industrial building known as PCL Group Building and is located at 18 Lee Chung Street, Chai Wan, Hong Kong. The Property has a total gross floor area of approximately 68,300 squared feet. Premises located on the 12th floor of the Property with a gross floor area of approximately 3,400 squared feet also serve as the Company's current principal office in Hong Kong. The Property is to be sold on an "as is" basis free from encumbrances but with the benefit of certain existing tenancies which occupy approximately 40,000 squared feet in the Property. Save for such existing tenancies, vacant possession of the other units in the Property amounting to approximately 24,900 squared feet is to be delivered to the Purchaser on Completion. Given this, the Company's principal office in Hong Kong will be relocated to other suitable premises to be identified before Completion and an announcement will be made of any change of address of such principal office.

The Vendor is principally engaged in investment property holding. The Property was first acquired by the Vendor in 1991 and is held by the Group as an investment property. The Property and the cash representing rental income from the Property are the only assets held by the Vendor. For the year ended 31 December 2003, the audited net profits of the Vendor before and after taxation amounted to approximately HK\$1,152,000 and HK\$853,000 respectively and the audited turnover of the Vendor was approximately HK\$4,320,000. For the year ended 31 December 2002, the audited net profits of the Vendor before and after taxation amounted to approximately HK\$2,008,000 and HK\$1,659,000 respectively and the audited turnover of the Vendor was approximately HK\$6,124,000. The decrease in net profits and turnover of the Vendor between the years ended 31 December 2002 and 31 December 2003 resulted from a reduced occupancy level of the Property and therefore a decline in the overall rental income achieved through tenancies. For the six months ended 30 June 2004, the unaudited net profits of the Vendor before and after taxation amounted to approximately HK\$480,000 and HK\$390,000 respectively and the unaudited turnover of the Vendor was approximately HK\$1,905,000. As reflected in the Group's audited financial

statements for the year ended 31 December 2003, the book value of the Property carried at valuation performed by Vigers Hong Kong Limited, an independent valuer appointed by the Company, was HK\$52,000,000 as at 31 December 2003.

### **Consideration**

The Purchase Price is payable in cash and amounts to HK\$51,700,000 in aggregate. The Purchase Price has been determined after arm's length negotiations between the Vendor and the Purchaser by reference to the valuation on the Property of HK\$52,000,000 as at 31 December 2003 prepared by the independent valuer mentioned above. The Purchase Price represents an approximately 0.6% discount to such valuation. Based on the carrying value of the Property of HK\$52,000,000 as at 31 December 2003, the Board expects that the sale of the Property would result in a consolidated loss on disposal of HK\$300,000.

The valuation of the Property as at 31 December 2003 represents the last valuation performed on the Property. Based on the valuation report, the value of the Property of HK\$52,000,000 as at that date was arrived at after taking into account, among other factors, the occupancy level of the Property and monthly rental income of approximately HK\$343,000 as at 31 December 2003 derived from tenancies. Although no updated valuation has been performed since then, the Company's management believes that there is no material difference between the current fair market value of the Property and the last valuation amount of HK\$52,000,000 as at 31 December 2003 given that the current monthly rental income from the Property amounts to approximately HK\$322,000, a level that has not fluctuated substantially from that achieved as at 31 December 2003.

The Purchase Price is to be paid by the Purchaser in the following manner:

1. the Initial Deposit in the sum of HK\$1,034,000, representing 2% of the Purchase Price, has been paid to the Vendor's solicitors upon signing of the Offer Letter;
2. the Second Deposit in the sum of HK\$4,136,000, representing 8% of the Purchase Price, has been paid to the Vendor's solicitors upon signing of the Provisional Agreement;
3. a subsequent further deposit in the sum of HK\$10,340,000, representing 20% of the Purchase Price, is to be paid to the Vendor's solicitors upon signing of the formal agreement for the sale and purchase of the Property, which is scheduled to take place on or before 14 February 2005 (or such other date as the parties may agree); and
4. the balance of the Purchase Price in the sum of HK\$36,190,000, representing the remaining 70% of the Purchase Price, is to be paid upon Completion, which is scheduled to take place on or before 2 May 2005 (or such other date as the parties may agree).

The Deposits and all subsequent deposits are to be held by the Vendor's solicitors as stakeholder pending Completion.

If the Vendor, after having received the Deposits, fails to complete the disposal of the Property, the Vendor is required to refund to the Purchaser the full amount of the Deposits and compensate the Purchaser for any damages suffered by it as a result.

If any of the representations, warranties and undertakings given by the Vendor to the Purchaser is not accurate, complete or up to date, the Purchaser is entitled to rescind the agreement for the purchase of the Property and the Vendor will then be required to refund to the Purchaser the full amount of the Deposits, as well as any other sums paid by the Purchaser to the Vendor, and pay to the Purchaser an additional sum equivalent to the amount of the Deposits as liquidated damages.

If the Vendor, after having used its best endeavours, fails to obtain the requisite regulatory approval from the Stock Exchange (if any) for the sale of the Property to the Purchaser within a period of 100 days from the date of the Offer Letter, the Vendor is required to refund to the Purchaser the full amount of the Deposits, as well as any other sums paid by the Purchaser to the Vendor, but will not be liable for any liquidated damages in that event.

### **Other Principal Terms**

The Vendor has also represented, warranted and undertaken to the Purchaser, amongst others, that, immediately before Completion, the Vendor will cause such tenants as the Purchaser may notify to the Vendor before Completion to vacate the Property by terminating the relevant tenancy agreements between the Vendor and such tenants, and vacant possession of the relevant portions of the Property is to be delivered to the Purchaser on the expiry of 181 days after the date of Completion. According to the relevant tenancy agreements between the Vendor and the tenants of the Property, upon a disposal of the Property, the Vendor may terminate such tenancy agreements by serving 6 months prior notices on the tenants. Upon the expiry of such notice period, the relevant tenancies will be terminated with no penalty payable by the Vendor to the tenants affected by such termination.

### **Completion**

Subject to the existing mortgage and other encumbrance affecting the Property having been released or discharged on or before Completion and the Vendor having proved title to the Property, Completion is expected to take place on or before 2 May 2005 (or such other date as the parties may agree).

### **Principal Businesses of the Company and the Purchaser**

The Company is an investment holding company and its subsidiaries are mainly engaged in design, distribution and trading of integrated circuit products, investment property holding and investment holding.

To the Directors' knowledge, the principal business activities of the Purchaser are in the areas of storage and logistics.

### **Reasons for the transaction and use of proceeds**

The Property is currently subject to a mortgage in favour of a bank to secure a term loan facility the outstanding principal sum of which amounts to approximately HK\$31,500,000 as at the date of this announcement. The rental income and rental deposits from the Property are also assigned to the bank as security. An amount equal to 1% of the Purchaser Price, representing HK\$517,000, is payable as commission to the property agent that introduced the Purchaser to the Vendor. The proceeds from the disposal of the Property, net of the commission payable to the property agent and the legal and other costs and expenses to be incurred for the disposal of the Property and discharge of the existing mortgage

over the Property, are expected to amount to approximately HK\$50,700,000. Part of such net proceeds of approximately HK\$31,500,000 will be used towards paying in full the outstanding principal and interest due to the bank for the purpose of discharging the existing mortgage over the Property. The remaining part of such net proceeds of approximately HK\$19,200,000 is intended to be used towards paying the expenses to be incurred by the Company for the relocation of its principal office in Hong Kong as a result of the disposal of the Property, with the rest as working capital for the Group. The moving expenses to be incurred in relocating the Company's principal office are estimated at approximately HK\$100,000.

The Board considers that, although the disposal of the Property would result in the Company incurring expenses for the relocation of its principal office, such expenses are not expected to be significant in the context of the Group as a whole. The disposal of the Property would also result in the Group not being able to utilise the Property as security for future borrowings. However, after having reviewed the level of the Group's internal resources coupled with the net proceeds expected to be received from the disposal of the Property and other existing banking facilities available to the Group, the Company's management believes that the Group has no immediate need to raise external borrowings for the purposes of funding its daily operations as now being carried on.

Although recent trends indicate that the prices of real properties in Hong Kong appear to be rising, the Company's management observed that the prices for industrial buildings do not necessarily follow that trend and the value of these buildings largely depends on their locations and rental yield achieved. Given that the Property is an industrial building, the level of rental income that can be attained from the Property is relatively low as compared with other types of properties in Hong Kong and, as such, the market value of the Property is not expected to rise significantly in the near future. The Board is therefore of the view that the disposal of the Property is in the interest of the Group since the proceeds from the disposal would be applied towards reducing the indebtedness of and hence the interest payments to be incurred by the Group, and the remaining part of the proceeds would provide the Group with funds for working capital purposes. The Board also believes that the terms of the Offer Letter are fair and reasonable and in the interests of the Company's shareholders as a whole.

## **General**

The disposal of the Property contemplated under the Offer Letter and the Provisional Agreement constitutes a discloseable transaction of the Company for the purpose of the Listing Rules. A circular of the Company containing details relating to the disposal of the Property and information on the Company will be despatched to the shareholders of the Company as soon as practicable.

## **UPDATE ON LEGAL ACTION**

The Board refers to the announcement of the Company dated 8 October 2004 in relation to a legal action instituted by Pacific Electric Wire and Cable Company Limited against, amongst others, Texan Management Limited (a substantial shareholder of the Company), Messrs. Wong Kun To, Cheung Kwan Hung, Anthony and Ma Kam Fook, Robert (certain former executive directors of the Company) and Mr. Pang Hong (a current executive director of the Company) under which the plaintiff is seeking to claim title to the shares held in the Company by Texan Management Limited, representing approximately 43.3% of the Company's issued share capital.

The Board has, around the middle of October 2004, obtained a copy of the writ of summons pertaining to this action and notes that the Company is not named as a party to this writ. The Board has passed a copy of this writ to the Company's legal counsels to assess if this action has any legal implications for the Company and for the purposes of preparing a further announcement of the Company containing a more detailed description of the particulars of this writ. This further announcement will be made as soon as practicable. Apart from having obtained the writ of summons, the Board has been attempting to contact those former executive directors of the Company as well as, Mr. Pang Hong, the current executive director of the Company, who are named as parties in the writ so as to seek for further details concerning this legal action. Apart from Mr. Ma Kam Fook, Robert, the Board has been unable to contact the other former directors involved. Both of Mr. Ma Kam Fook, Robert and Mr. Pang Hong have advised that, aside from being aware that the writ was issued and they are named as defendants, they have no other updated information concerning this legal action. Except for a copy of the writ obtained by it, the Board itself has received no updated information regarding any progress made in this legal action or the subject matter of the writ, and is not aware of any material development in this action since the last announcement of the Company dated 8 October 2004. Pending a further announcement to be made with a more detailed description of the particulars of the writ which may possibly constitute price-sensitive information, the Board believes it is appropriate for trading in the shares of the Company to remain suspended until the publication of that further announcement.

Trading in the shares of the Company was suspended at the Company's request with effect from 9:44 a.m. on 27 September 2004 and will remain suspended pending the release of a further announcement in relation to the legal action mentioned above.

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Messrs. Seto Yee Woon, John, Yip Chi Hung and Pang Hong and the independent non-executive Directors are Messrs. Wong Chi Keung, Fung Choi On and Cheng Hok Ming, Albert.

## **Definitions**

“Board”	the board of Directors
“Company”	PacMOS Technologies Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Property
“Deposits”	the Initial Deposit and the Second Deposit
“Directors”	the directors of the Company, including its independent non-executive directors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Initial Deposit”	a cash sum of HK\$1,034,000 paid by the Purchaser to the Vendor’s solicitors as initial deposit upon signing of the Offer Letter, representing 2% of the Purchase Price
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Offer Letter”	the letter of offer dated 2 November 2004 from the Purchaser to the Vendor for the sale and purchase of the Property countersigned by the Vendor on 15 November 2004
“Property”	PCL Group Building located at 18 Lee Chung Street, Chai Wan, Hong Kong beneficially owned by the Vendor
“Provisional Agreement”	the provisional agreement for the sale and purchase of the Property dated 23 November 2004 entered into between the Vendor and the Purchaser
“Purchase Price”	an aggregate cash consideration of HK\$51,700,000 payable by the Purchaser for the purchase of the Property
“Purchaser”	New Empire Properties Limited which, together with its ultimate beneficial owner(s), are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, third parties independent of and not connected with the Company and connected persons of the Company (within the meaning of the Listing Rules)
“Second Deposit”	a cash sum of HK\$4,136,000 paid by the Purchaser to the Vendor’s solicitors as the second deposit upon signing of the Provisional Agreement, representing 8% of the Purchase Price
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Wellba Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars

By order of the Board of  
**PacMOS Technologies Holdings Limited**  
**Seto Yee Woon, John**  
*Chairman*

Hong Kong, 2 December 2004

\* *For identification purpose only*

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