



PacMOS Technologies Holdings Limited
(弘 茂 科 技 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1010)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2005

The Directors are pleased to present the interim results and unaudited condensed accounts of PacMOS Technologies Holdings Limited (“the Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30th June 2005

		Unaudited	
		Six months ended 30th June	
		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	74,058	76,703
Cost of sales		(62,961)	(49,545)
Gross profit		11,097	27,158
Other revenues		318	650
Distribution costs		(1,761)	(1,958)
General and administrative expenses		(13,227)	(9,560)
Other operating income/(expenses)		6,967	(75,244)
Profit/(loss) from operations	4	3,394	(58,954)
Finance costs		(325)	(551)
Profit/(loss) before taxation		3,069	(59,505)
Taxation	5	(68)	(1,993)
Profit/(loss) for the period		3,001	(61,498)
Attributable to:			
Equity holders of the Company		2,842	(66,679)
Minority interest		159	5,181
		3,001	(61,498)
Basic earnings/(loss) per share	6	0.84 cents	(19.8 cents)
Diluted earnings/(loss) per share	6	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2005

	30th June 2005 HK\$'000	31st December 2004 HK\$'000
Non-current assets		
Investment property	—	52,000
Other fixed assets	5,095	5,221
Intangible assets	972	889
Long-term deposits	741	726
	<u>6,808</u>	<u>58,836</u>
Current assets		
Inventories	26,952	43,879
Accounts receivable	18,002	19,194
Prepayments, deposits and other receivables	6,907	2,834
Financial assets at fair value through profit or loss	200,461	—
Other investments	—	199,203
Pledged deposits	247	2,392
Cash and cash equivalents	73,612	59,097
	<u>326,181</u>	<u>326,599</u>
Current liabilities		
Accounts payable and accruals	24,944	30,739
Current portion of long-term bank loans	—	4,200
Short-term bank loans	—	19,500
Amounts due to related companies	1,312	1,434
Taxation payable	231	1,748
	<u>26,487</u>	<u>57,621</u>
Net current assets	<u>299,694</u>	<u>268,978</u>
Total assets less current liabilities	306,502	327,814
Non-current liabilities		
Long-term bank loans	—	26,250
Deferred taxation	1,300	1,300
	<u>1,300</u>	<u>27,550</u>
	<u>305,202</u>	<u>300,264</u>
Capital and reserves		
Share capital	33,659	33,659
Reserves	226,279	222,413
Shareholders' funds	259,938	256,072
Minority interest	45,264	44,192
	<u>305,202</u>	<u>300,264</u>

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. These condensed interim accounts should be read in conjunction with the 2004 annual report.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005.

2. Discontinued operations

Wellba Investment Limited, a wholly owned subsidiary of the Company, had disposed of the investment property situated at 18 Lee Chung Street, Chai Wan, Hong Kong (the “Property”), to an independent third party at a total cash consideration of HK\$51,700,000. The completion date for the disposal of the Property was on 10th March 2005.

The operating results of the investment property holding segment are reported in the accounts as a discontinued operation.

3. Segment information

The Group is primarily engaged in (i) the design and distribution of integrated circuits and semi-conductor parts, (ii) investments holding and (iii) property rental.

a) Analysis of turnover and results by business segment is as follows:

	Turnover	
	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Continuing operations:		
Design and distribution of integrated circuits and semi-conductor parts	73,332	74,798
Investments holding	—	—
Discontinued operations:		
Property rental	726	1,905
	74,058	76,703

	Contribution to profit/(loss) from operations Unaudited Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Continuing operations:		
Design and distribution of integrated circuits and semi-conductor parts	(2,067)	15,760
Investments holding	5,733	(76,018)
Discontinued operations:		
Property rental	(272)	974
	<u>3,394</u>	<u>(59,284)</u>
Unallocated income	—	330
Finance costs	(325)	(551)
	<u>3,069</u>	<u>(59,505)</u>
Profit/(loss) before taxation	3,069	(59,505)
Taxation	(68)	(1,993)
	<u>3,001</u>	<u>(61,498)</u>

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

	Turnover Unaudited Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong	726	1,905
Taiwan	70,709	70,904
The People's Republic of China (the "PRC")	2,623	3,894
	<u>74,058</u>	<u>76,703</u>
	Contribution to profit/(loss) from operations Unaudited Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong	726	1,905
Taiwan	9,332	22,792
The PRC	1,039	2,461
	<u>11,097</u>	<u>27,158</u>
Gross profit	11,097	27,158
Other revenue	318	650
Expenses, net	(8,021)	(86,762)
	<u>3,394</u>	<u>(58,954)</u>

4. Profit/(loss) from operations

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

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Fair value gains on financial assets at fair value through profit or loss	(7,220)	—
Unrealised loss on other investments	—	75,574
Loss on disposal of an investment property	300	—
Depreciation of fixed assets	1,549	2,170
Amortisation of intangible assets	166	1,254

5. Taxation

The Company is exempt from taxation in Bermuda. No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the period. Overseas taxation has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates.

The amount of taxation charged to income statement represents:

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax		
— under provision in previous year	—	15
Overseas taxation		
— current period	68	1,939
— over provision in previous year	—	(51)
Deferred taxation		
— relating to taxable temporary differences	—	90

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30th June 2005 is based on the consolidated net profit attributable to shareholders of approximately HK\$2,842,000 (2004: loss of HK\$66,679,000) and 336,587,142 (2004: 336,587,142) shares in issue during the period.

Diluted earnings per share for the six months ended 30th June 2005 was not presented as there was no dilution effect on the earnings per share.

RESULTS

For the six months ended 30th June 2005, the Group recorded a net profit attributable to equity holders of approximately HK\$2.8 million as compared to a loss of approximately HK\$66.7 million for the corresponding period last year.

The Group achieved a turnover of approximately HK\$74.0 million as compared to approximately HK\$76.7 million for the corresponding period last year.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

a. Business Review

Design and distribution of integrated circuits and semi-conductor parts

This segment contributed the bulk of turnover of the Group. It achieved a turnover of approximately HK\$73.3 million for the six months ended 30th June 2005, as compared to that of approximately HK\$74.8 million for the same period last year. Due to limited production capacities of foundries to meet strong market demand, there had been sharp increases in wafer prices. Such increase in wafer prices was reflected in the cost of sales. For the period under review, while the turnover remained stable, the cost of sales increased quite significantly. The gross profit of this segment was reduced to approximately HK\$10.4 million as compared to that of approximately HK\$25.3 million for the corresponding period last year. The gross profit margin of this segment was reduced to approximately 14% as compared to that of approximately 34% for the corresponding period last year. This segment recorded a loss from operation of approximately HK\$2.1 million for the period under review.

Investments holding

The Group's investment in ChipMOS Technologies (Bermuda) Limited ("ChipMOS"), which is listed in NASDAQ, recorded a mark-to-market unrealised gain of approximately HK\$7.2 million as compared to an unrealised loss of approximately HK\$75.6 for the same period last year. During the six months ended 30th June 2005, the Group sold 120,000 shares of ChipMOS in the NASDAQ market with an average price of approximately US\$6.4 per share.

The quoted market price of ChipMOS as at 30th June 2005 was US\$6.61 and that as at 21st September 2005 was US\$6.53.

Property rental

The investment property situated at 18 Lee Chung Street, Chai Wan, Hong Kong was disposed to an independent third party in November 2004 at a cash consideration of HK\$51.7 million. The transaction was completed on 10th March 2005. The rental income obtained up to 10th March 2005 was approximately HK\$0.7 million.

b. Liquidity and Financial Resources

During the period under review, the Group recorded a net cash inflow from operating activities of approximately HK\$4.0 million. Disposal of investment property and realisation of ChipMOS shares generated a further cash inflow of approximately HK\$58.4 million, in which approximately HK\$50.0 million was applied to repay outstanding bank loans.

The cash and cash equivalents of the Group as at 30th June 2005 was approximately HK\$73.6 million.

c. Capital Structure

There was no change in share capital of the Company for the period under review. The profit for the period was transferred to reserves. Total shareholders' funds as at 30th June 2005 was approximately HK\$259.9 million.

d. Gearing Ratio

The gearing ratio of the Group, as defined as total liabilities (excluding capital, reserves and minority interest) expressed as percentage of total assets, was approximately 8.3% (31st December 2004: approximately 22.1%).

The reduction in gearing ratio was mainly attributable to repayment of all outstanding bank loans during the period under review.

e. Foreign Currency Exposure

The Group did not expose to material exchange risks. An exchange adjustment of approximately HK\$1.0 million, due to translation of accounts of overseas subsidiaries, was credited to exchange reserves.

f. Investments and Capital Assets

No material purchase of capital assets was made during the period under review. The disposal of the Group's investment property in Hong Kong was completed on 10th March 2005. A loss on disposal of HK\$0.3 million was charged to income statement.

g. Charge on Assets

The Group's investment property in Hong Kong was mortgaged to a bank to secure a ten-year term loan. The outstanding loan balance of approximately HK\$30.5 million was fully repaid on 10th March 2005 upon completion of the disposal of the investment property.

h. Human Resources

There was no material change on the staff headcount for the period under review. The number of staff of the Group was approximately 70.

i. Contingent Liabilities

The Group did not have any material contingent liabilities as at 30th June 2005.

j. Future Plans and Prospects

Looking ahead, the management will continue to focus on its main business of integrated circuit design and distribution in the Greater China region. With the wafer costs having been back to normal in the past few months, the management expects that the Group will achieve better results in the second half of the year.

PURCHASE, SALE OR REDEMPTION OF 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 2005.

CORPORATE GOVERNANCE

During the six months ended 30th June 2005, the Board believed that the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except the following:

1. the Chairman of the Board is not subject to retirement by rotation pursuant to the bye-laws of the Company;
2. the Independent Non-executive Directors were not appointed for specific terms but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the bye-laws of the Company;
3. the Directors may not retire by rotation at least once every three years, however, one-third of all the Directors (except the Chairman or Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire by rotation at the Company's annual general meeting and shall be eligible for re-election in accordance with the bye-laws of the Company;
4. the Board is scheduled to convene a special general meeting around early December 2005 approving the amendment of the bye-laws of the Company in order to ensure the retirement of each Director by rotation at least once every three years in compliance with the Code to the Listing Rules;
5. there is not any Chief Executive Officer in the Company. In view of the Company's composition of the Board (being two Executive Directors and three Independent Non-executive Directors), the Board believes that the present simple structure of the Board enables it to make and implement decisions promptly and efficiently; and
6. the Board is in the process of defining the composition and terms of reference of the Remuneration Committee.

The Board is scheduled to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code") around early November 2005. During the transitional period, the Company has adopted the Model Code for securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed they have complied with the required standard set out in the Model Code during the six months ended 30th June 2005.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors who together have substantial experience in auditing, business and regulatory affairs.

REVIEW OF ACCOUNTS

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 2005 with the Directors.

On behalf of the Board
Seto Yee Woon, John
Chairman

Hong Kong, 22nd September 2005

Composition of the Board of Directors as at 22nd September 2005:

Mr. Seto Yee Woon, John (*Executive director*)

Mr. Yip Chi Hung (*Executive director*)

Mr. Cheng Hok Ming, Albert (*Independent non-executive director*)

Mr. Wong Chi Keung (*Independent non-executive director*)

Mr. Ma Kwai Yuen (*Independent non-executive director*)

* *For identification purpose only*

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