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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)**

### **ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS**

Pursuant to the Design Service Agreement dated 1 January 2004 (as amended on 12 December 2008) and entered into between MVC, a connected person of the Company, and Shanghai SyncMOS, a wholly owned subsidiary of the Company, MVC agreed to provide the Design Services to Shanghai SyncMOS and/or its subsidiaries on a non-exclusive basis.

The transactions under the Design Service Agreement constitute continuing connected transactions of the Company under the Listing Rules. Up to 12 December 2008 and based on the unaudited management account of the Group, the amount of the Design Services provided by MVC to Shanghai SyncMOS and/or its subsidiaries pursuant to the Design Service Agreement amounted to approximately HK\$900,000. As such transactions were carried out on normal commercial terms, the annual consideration is less than HK\$10,000,000 and each of the relevant percentage ratios (other than the profit ratio and equity capital ratio which are not applicable) set out in the Listing Rules in respect of the value of the transactions under the Design Service Agreement is expected to be, on an annual basis, more than 2.5% but less than 25%; such transactions are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

#### **DESIGN SERVICE AGREEMENT**

Shanghai SyncMOS is a wholly owned subsidiary of the Company. MVC is owned as to 50% by MVI, a substantial shareholder of the Company. Thus, MVC is an associate of MVI and a connected person of the Company.

\* *For identification purposes only*

Pursuant to the Design Service Agreement dated 1 January 2004 (as amended on 12 December 2008) and entered into between MVC and Shanghai SyncMOS, MVC agreed to provide the Design Services to Shanghai SyncMOS and/or its subsidiaries on a non-exclusive basis. Particulars of certain material terms of the Design Service Agreement are as follows:

- Term: Effective on 1 January 2004 and shall continue in effect and force for 1 year ending on 31 December 2004 and shall be automatically renewed for successive terms of 1 year, unless a written notice not to renew is sent by either party to the other party 3 months prior to the expiration of the then current term provided that with effect from 1 January 2008, the term of the Design Service Agreement shall not be extended to beyond 31 December 2010.
- Design Services to be provided by MVC: Design, development and engineering services related to semiconductor products to be provided by MVC to Shanghai SyncMOS and/or its subsidiaries pursuant to the Design Service Agreement.
- Service Fee and Payment: Unless otherwise mutually agreed to, the Design Services shall be made on a “cost-plus” basis, which means an amount equal to MVC’s total cost of labour, materials, overhead and all other costs incurred for and reasonably allocated for such Design Services in accordance with US generally accepted accounting principles, plus a markup of 4% on such costs.
- MVC will present its invoice to Shanghai SyncMOS no later than the 15th day of each calendar month and upon verification, Shanghai SyncMOS will pay the monthly invoice within 30 days after the date of the invoice.
- Maximum aggregate annual amount: The maximum aggregate annual amount of all the transactions shall not exceed HK\$1,600,000. The aforementioned maximum aggregate annual amounts are set based on historical data of purchase costs, anticipated demand for the Design Services and the budget forecasts of Shanghai SyncMOS.

The transactions under the Design Service Agreement constitute continuing connected transactions of the Company under the Listing Rules. For each of the financial years ended 31 December 2004, 2005, 2006 and 2007, the amounts of the Design Services provided by MVC to Shanghai SyncMOS and/or its subsidiaries pursuant to the Design Service Agreement amounted to approximately HK\$720,000, HK\$970,000, HK\$430,000 and HK\$210,000 respectively. As such transactions were carried out on normal commercial terms, the annual consideration was less than HK\$1,000,000 and each of the relevant percentage ratios (other than the profit ratio and equity capital ratio which were not applicable) set out in the Listing Rules in respect of the value of the transactions under the Design Service Agreement was, on an annual basis, less than 2.5%, such transactions were exempt from the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.33 of the Listing Rules.

## **ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS**

Up to 12 December 2008 (i.e. the date of meeting of the Board for approving the amendment to the Design Service Agreement) and based on the unaudited management account of the Group, the amount of the Design Services provided by MVC to Shanghai SyncMOS and/or its subsidiaries pursuant to the Design Service Agreement amounted to approximately HK\$900,000. As the maximum aggregate annual amount of all the transactions under the Design Service Agreement for the financial year ending 31 December 2008 shall not exceed HK\$1,600,000 and such transactions were/will be carried out on normal commercial terms, the annual consideration is less than HK\$10,000,000 and each of the relevant percentage ratios (other than the profit ratio and equity capital ratio which are not applicable) set out in the Listing Rules in respect of the value of the transactions under the Design Service Agreement is expected to be, on an annual basis, more than 2.5% but less than 25%; such transactions are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

## **INFORMATION ON THE GROUP AND REASONS FOR ENTERING INTO THE AGREEMENT**

The principal businesses of the Group are the design, sale and distribution of integrated circuits products and other investments.

Shanghai SyncMOS is principally engaged in integrated circuits design and products development for the market in the People's Republic of China.

MVC is principally engaged in the design and development of leading-edge DRAM and Flash memory integrated circuits.

As MVC is able to provide the services required by Shanghai SyncMOS and/or its subsidiaries at reasonable prices, the Board consider it is beneficial to the Group to retain the services of MVC. The Directors (including the independent non-executive Directors) consider that the Design Service Agreement and the transactions contemplated thereunder are made on an arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the terms of the Design Service Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Group and the shareholders of the Company as a whole.

As at the date of this announcement, the Board comprises five Directors. The executive Directors 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 Mr. Ma Kwai Yuen.

## DEFINITIONS

The following words and phrases used in this announcement have the following meanings:

“Board”	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;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Design Services”	design, development and engineering services related to semiconductor products to be provided by MVC to Shanghai SyncMOS and/or its subsidiaries pursuant to the Design Service Agreement;
“Design Service Agreement”	the design service agreement dated 1 January 2004 (as amended on 12 December 2008) and entered into between MVC and Shanghai SyncMOS in relation to the provision of the Design Services by MVC to Shanghai SyncMOS and/or its subsidiaries;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MVC”	Mosel Vitelic Corporation, a corporation incorporated under the laws of the State of California, United States, which is owned as to 50% by MVI;
“MVI”	Mosel Vitelic Inc., a substantial shareholder of the Company;
“Shanghai SyncMOS”	上海新茂半導體有限公司 (for English identification, Shanghai SyncMOS Semiconductor Co. Ltd.), a company established under the laws of the People’s Republic of China and a wholly owned subsidiary of the Company;

“Stock Exchange”                    The Stock Exchange of Hong Kong Limited;  
“HK\$”                                    Hong Kong dollars; and  
“%”                                        percentage

By order of the Board of  
**PacMOS Technologies Holdings Limited**  
**Yip Chi Hung**  
*Chairman*

16 December 2008, Hong Kong