



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 CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors of PacMOS Technologies Holdings Limited (the “Company”) are pleased to announce the consolidated accounts of the Company and its subsidiaries (collectively referred hereafter as the “Group”) for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	Note	2008 HK\$'000	2007 HK\$'000
Revenue	3	88,237	112,502
Cost of sales	4	<u>(67,075)</u>	<u>(82,474)</u>
Gross profit		21,162	30,028
Distribution costs	4	(4,384)	(3,910)
General and administrative expenses	4	(32,094)	(31,670)
Other income		3,761	5,678
Other losses, net		<u>(103,467)</u>	<u>(61,917)</u>
Loss before income tax		(115,022)	(61,791)
Income tax credit/(expense)	5	<u>64</u>	<u>(745)</u>
Loss for the year		<u>(114,958)</u>	<u>(62,536)</u>
Attributable to:			
Equity holders of the Company		(113,128)	(62,773)
Minority interest		<u>(1,830)</u>	<u>237</u>
		<u>(114,958)</u>	<u>(62,536)</u>
Loss per share for loss attributable to the equity holders of the Company during the year (basic and diluted) (HK cents)	13	<u>(33.61)</u>	<u>(18.65)</u>

* For identification purpose only

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 December	
		2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		2,558	3,235
Intangible assets		212	566
Long-term deposit		738	744
Deferred income tax assets		—	730
		<u>3,508</u>	<u>5,275</u>
Current assets			
Inventories		17,304	21,901
Trade receivables	6	10,645	11,915
Deposits, prepayments and other receivables		4,154	6,284
Financial assets at fair value through profit or loss	7	9,905	112,272
Restricted cash	8	246	248
Cash and bank balances	9	94,644	105,229
		<u>136,898</u>	<u>257,849</u>
Total assets		<u>140,406</u>	<u>263,124</u>

		As at 31 December	
		2008	2007
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>10</i>	134,922	134,922
Other reserves	<i>10</i>	8,399	7,325
(Accumulated loss)/retained earnings	<i>10</i>	(58,843)	54,616
		84,478	196,863
Minority interest	<i>10</i>	36,638	40,754
Total equity		121,116	237,617
LIABILITIES			
Current liabilities			
Trade payables	<i>11</i>	8,563	14,206
Other payables and accruals	<i>12</i>	7,073	8,751
Amount due to a related party		3,654	2,404
Income tax payable		—	146
		19,290	25,507
Total liabilities		19,290	25,507
Total equity and liabilities		140,406	263,124
Net current assets		117,608	232,342
Total assets less current liabilities		121,116	237,617

1. General information

PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in design and distribution of integrated circuits and semi-conductor parts and investments holding.

The Company is a limited liability company incorporated in Bermuda. The address of the principal place of business of the Company is 27th Floor, Cambridge House, Taikoo Place, 979 King’s Road, Island East, Hong Kong.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2009.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation financial assets at fair value through profit or loss.

3. Segment information

(a) Primary reporting format — business segments

No business segment information of the Group is presented as the Group’s revenue, expenses, assets and liabilities and capital expenditures are primarily attributable to one segment, i.e. the design and distribution of integrated circuits and semi-conductor parts.

(b) Secondary reporting format — geographical segments

The Group’s revenue by geographical location is determined by the country from which the goods are shipped.

	For the year ended	
	31 December	
	2008	2007
	HK\$’000	HK\$’000
Revenue:		
Taiwan	78,783	100,622
The People’s Republic of China (the “PRC”)	9,454	11,880
	<u>88,237</u>	<u>112,502</u>

Total assets are allocated based on where the assets are located.

Segment assets consist primarily of property, plant and equipment, long term deposits, intangible assets, deferred income tax assets, inventories, trade receivables, deposits, prepayments and other receivables, financial assets through profit or loss, restricted cash and cash and bank balances.

	For the year ended	
	31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets:		
Hong Kong	32,605	139,029
Taiwan	96,161	110,765
The PRC	11,640	13,330
	<u>140,406</u>	<u>263,124</u>

Capital expenditure is allocated based on where the assets are located.

Capital expenditure comprises mainly additions to property, plant and equipment and intangible assets.

	For the year ended	
	31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure:		
Hong Kong	28	44
Taiwan	169	900
The PRC	74	174
	<u>271</u>	<u>1,118</u>

4. Expenses by nature

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Charges in inventories	63,932	79,288
Amortisation of intangible assets	387	627
Auditors' remuneration	1,612	1,566
Depreciation of property, plant and equipment	960	1,428
Operating lease rentals in respect of land and buildings	4,654	3,839
Reversal of provision for impairment of trade receivables	(16)	(34)
Provision for inventories	513	1,528
Research and development costs	1,566	2,572
Marketing costs	1,595	1,481
Employee benefit expenses (including directors' emoluments)	21,240	22,612
Reversal of provision for customers' claims	—	(2,228)
Other expenses	7,110	5,375
	<u>103,553</u>	<u>118,054</u>
Total cost of sales, distribution costs and general and administrative expenses	<u>103,553</u>	<u>118,054</u>

5. Income tax credit/(expense)

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates prevailing in the countries in which the Group operates.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current income tax		
— Overseas income tax expense	(351)	(910)
— Over provision in prior years	1,163	1,186
Deferred income tax	(748)	(1,021)
	<u>64</u>	<u>(745)</u>

6. Trade receivables

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	10,645	11,931
<i>Less:</i> provision for impairment of receivables	—	(16)
Trade receivables, net	<u>10,645</u>	<u>11,915</u>

At 31 December 2008, the aging analysis of trade receivable based on due date is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	10,023	11,915
1 — 30 days	622	—
31 — 60 days	—	—
90 — 180 days	—	16
	<u>10,645</u>	<u>11,931</u>
Denominated in:		
— US\$	8,939	8,364
— NTD	1,706	2,664
— RMB	—	903
	<u>10,645</u>	<u>11,931</u>

The carrying amounts of trade receivables approximate their fair values as at 31 December 2008 (2007: same).

7. Financial assets at fair value through profit or loss

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity securities in		
— United States	6,293	107,236
— Hong Kong	3,612	5,036
	<u> </u>	<u> </u>
Market value of listed securities	9,905	112,272
	<u> </u>	<u> </u>

Changes in fair value of the financial assets at fair value through profit or loss are recorded in “other losses, net” in the consolidated income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

8. Restricted cash

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Restricted cash	246	248
	<u> </u>	<u> </u>
Denominated in:		
— NTD	246	248
	<u> </u>	<u> </u>

Restricted cash as at 31 December 2008 represents bank deposits pledged to secure the payment of value added tax as required by Taiwan Tax Bureau. The amount was denominated in New Taiwan dollar with an effective interest rate of 1.70% per annum (2007: 2.13% per annum).

9. Cash and bank balances

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank	18,470	23,979
Term deposits with original maturities of three months or less (<i>Note a</i>)	21,140	65,695
Cash on hand	134	50
	<hr/>	<hr/>
Cash and cash equivalents	39,744	89,724
	<hr/>	<hr/>
Term deposits with original maturities of over three months (<i>Note a</i>)	54,900	15,505
	<hr/>	<hr/>
Cash and bank balances	94,644	105,229
	<hr/> <hr/>	<hr/> <hr/>
Denominated in:		
— HK\$	20,740	24,498
— US\$	2,827	19,485
— NTD	62,651	54,535
— RMB (<i>Note b</i>)	8,426	6,711
	<hr/>	<hr/>
	94,644	105,229
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) The effective interest rate on term deposits per annum was 1.64% as at 31 December 2008 (2007: 2.55%); these deposits have an average maturity of 262 days (2007: 100 days).
- (b) At 31 December 2008, funds of the Group amounting to RMB7,469,000 are kept in bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange controls (2007: RMB7,310,000).

10. Consolidated statement of changes in equity

	Attributable to equity holders of the Company								
	Ordinary shares HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Other statutory reserve HK\$'000	(Accumulated loss)/ retained earnings HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
Balance at 1 January 2007	33,659	101,263	1,619	196	2,046	117,894	256,677	43,363	300,040
Currency translation differences	—	—	886	—	—	—	886	451	1,337
Net income recognised directly in equity	—	—	886	—	—	—	886	451	1,337
Loss for the year	—	—	—	—	—	(62,773)	(62,773)	237	(62,536)
Total recognised income and expense for the year	—	—	886	—	—	(62,773)	(61,887)	688	(61,199)
Employee share-based compensation scheme	—	—	—	2,073	—	—	2,073	—	2,073
Transfer to Taiwan statutory reserve	—	—	—	—	505	(505)	—	—	—
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	(3,297)	(3,297)
Balance at 31 December 2007	<u>33,659</u>	<u>101,263</u>	<u>2,505</u>	<u>2,269</u>	<u>2,551</u>	<u>54,616</u>	<u>196,863</u>	<u>40,754</u>	<u>237,617</u>
Balance at 1 January 2008	33,659	101,263	2,505	2,269	2,551	54,616	196,863	40,754	237,617
Currency translation differences	—	—	123	—	—	—	123	(215)	(92)
Net income/(loss) recognised directly in equity	—	—	123	—	—	—	123	(215)	(92)
Loss for the year	—	—	—	—	—	(113,128)	(113,128)	(1,830)	(114,958)
Total recognised income and expense for the year	—	—	123	—	—	(113,128)	(113,005)	(2,045)	(115,050)
Employee share-based compensation scheme	—	—	—	620	—	—	620	—	620
Transfer to Taiwan statutory reserve	—	—	—	—	331	(331)	—	—	—
Dividend paid to minority shareholders of a subsidiary	—	—	—	—	—	—	—	(2,071)	(2,071)
Balance at 31 December 2008	<u>33,659</u>	<u>101,263</u>	<u>2,628</u>	<u>2,889</u>	<u>2,882</u>	<u>(58,843)</u>	<u>84,478</u>	<u>36,638</u>	<u>121,116</u>

11. Trade payables, other payables and accruals

At 31 December 2008, the aging analysis of trade payables is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	8,563	14,206
Denominated in:		
— NTD	8,522	14,206
— US\$	41	—
	8,563	14,206

The carrying amounts of trade payables approximate their fair values as at 31 December 2008 (2007: same).

12. Other payables and accruals

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued staff benefits	3,942	4,449
Accrued professional fees	1,282	1,192
Advances from customers	446	669
Others	1,403	2,441
	7,073	8,751

13. Loss per share

(a) Basis

The calculation of basic loss per share for the year ended 31 December 2008 is based on the consolidated net loss attributable to the equity holders of the Company of approximately HK\$113,128,000 (2007: HK\$62,773,000) and 336,587,142 shares (2007: 336,587,142 shares) in issue during the year. Details of basic loss per share are analysed as follows:

	2008 <i>HK cents</i>	2007 <i>HK cents</i>
Basic loss per share	<u>(33.61)</u>	<u>(18.65)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 December 2008 (2007: same).

RESULTS

For the year under review, the Group achieved revenue of approximately HK\$88.2 million, as compared to that of last year of approximately HK\$112.5 million. The loss attributable to shareholders amounted to approximately HK\$113.1 million, as compared to that of last year of approximately HK\$62.8 million.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2008.

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

With the worldwide economic downturn starting from September 2008, the revenue of the Group reduced to approximately HK\$88.2 million for the year ended 31 December 2008 as compared to that of approximately HK\$112.5 million for the year ended 31 December 2007. For the year under review, the Group recorded a gross profit of approximately HK\$21.2 million as compared to approximately HK\$30.0 million for the year ended 31 December 2007.

For the year ended 31 December 2008, revenue of the Group's operation in Shanghai decreased to approximately HK\$9.5 million from approximately HK\$11.9 million for the year ended 31 December 2007. Gross profit margin had also reduced to 57% for the year ended 31 December 2008 from 63% for the year ended 31 December 2007. The Shanghai operation recorded a loss before tax of approximately HK\$1.8 million for the current year under review as compared to a profit of approximately HK\$3.7 million for the last year.

The revenue of the Group's operation in Taiwan also reduced to approximately HK\$78.8 million for the current year under review from approximately HK\$100.6 million last year. The gross profit margin also reduced to 20% from 22%. The operation in Taiwan contributed a loss before tax of approximately HK\$3.3 million for the current year under review as compared to a profit before tax of approximately HK\$1.8 million for the last year.

Investments holding

As at 31 December 2008, the Company held approximately 3.2 million shares of ChipMOS Technologies (Bermuda) Limited ("ChipMOS"). ChipMOS, a company listed on NASDAQ, is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States.

Due to the global financial crisis, there was a significant decrease in share price of ChipMOS during the year.

As at 31 December 2008, the closing market price of ChipMOS was US\$0.25 as compared to US\$4.26 as at 31 December 2007. Consequently, an unrealised loss of approximately HK\$100.9 million was recorded due to mark to market valuation of the shares for the year under review.

As at 31 December 2008, the Group also held listed securities in Hong Kong with market valuation of approximately HK\$3.6 million, an unrealised loss of approximately HK\$2.9 million was recorded for marking the securities to market for the year under review.

FUTURE PLANS AND PROSPECTS

We shall continue to focus our efforts on our current main business in design and distribution of integrated circuit products. Despite the economic downturn, investments in research and development for improving the quality of our products will continue in order to strengthen our competitive edge in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31 December 2008, the cash and bank balances of the Group amounted to approximately HK\$94.6 million as compared to approximately HK\$105.2 million as at 31 December 2007.

For the year ended 31 December 2008, the Group recorded a net cash outflow in cash and cash equivalents of approximately HK\$49.9 million, which included outflows of approximately HK\$8.6 million and HK\$39.2 million from operating activities and investing activities respectively. The cash outflows from investing activities was mainly attributable to the placing of approximately HK\$39.4 million surplus cash as term deposits with maturities over three months.

Gearing ratio

As at 31 December 2008, the gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 13.7% (2007: approximately 9.7%). The Group did not employ any bank financing during the year, and no interest cost was incurred. As at 31 December 2008, the total liabilities (mainly trade payables and accruals) of the Group were approximately HK\$19.3 million (2007: approximately HK\$25.5 million).

Foreign currency exposure

The Group has overseas operations in the PRC and Taiwan, it is therefore exposed to exchange fluctuations of Renminbi and New Taiwan dollar.

For the year ended 31 December 2008, a net exchange gain of approximately HK\$0.3 million (2007: net loss of approximately HK\$0.1 million) was recognised in the consolidated income statement. Exchange differences on translation of overseas subsidiaries of approximately HK\$0.1 million were credited to the exchange reserve.

Capital structure

The loss attributable to shareholders for the year ended 31 December 2008 of approximately HK\$113.1 million was transferred to accumulated loss. There was no change in the capital of the Company for the year under review. As at 31 December 2008, the shareholders' fund amounted to approximately HK\$84.5 million (2007: approximately HK\$196.9 million).

Investments and capital assets

The Company held approximately 3.2 million shares of ChipMOS which is listed on NASDAQ. On 17 March 2009, the closing market price of ChipMOS was US\$0.27.

During the year ended 31 December 2008, the Group utilised approximately HK\$1.4 million (2007: approximately HK\$8.8 million) to acquire Hong Kong listed equity securities and approximately HK\$0.3 million (2007: approximately HK\$1.1 million) for property, plant and equipment and intangible assets.

Charges on assets

As at 31 December 2008, restricted bank deposits amounted to approximately HK\$0.2 million (2007: approximately HK\$0.2 million) which were mainly for the purpose of securing payment of value added tax in Taiwan.

Segment information

An analysis by business and geographical segments of the Group's performance, assets and liabilities for the year is set out in Note 3.

Human resources

The headcount of the Group as at 31 December 2008 was approximately 88 (2007: approximately 86).

In 2006, an employee share option scheme was established by the Company's subsidiary in Taiwan, 新茂國際科技股份有限公司, to retain high-calibre employees. The management believes that it is in line with the modern commercial practice that eligible employees should be given incentives in the form of options to work towards enhancing the value of the subsidiary and the Group as a whole.

Remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

Contingent liabilities

No material contingent liabilities of the Group were noted as at 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

During the year, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained 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 deviations:

Code A.4.1

This Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

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. At every annual general meeting of the Company, one-third of the

Directors for the time being or, if their number is not three or a multiple of three, then the nearest but no less than one-third shall retire from office by rotation and every Director shall be subject to retirement by rotation at least once every three years.

Code A.4.2

This Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election by shareholders at the meeting but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting in accordance with the by-laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to regulate the directors' securities transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2008, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises solely independent non-executive directors, namely Messrs. Wong Chi Keung (Chairman), Cheng Hok Ming, Albert and Ma Kwai Yuen. Its primary responsibilities include reviewing and supervising the Company's financial reporting process and internal control systems. The Audit Committee and the management have reviewed the accounting principles and practices which adopted by the Group and discussed auditing, internal control, and financial reporting matters including review of unaudited interim financial statements and audited annual financial statements. The Audit Committee has reviewed the consolidated accounts of the Group for the year ended 31 December 2008.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 18 March 2009

Compositions of the Board of Directors as at 18 March 2009

Executive directors:

Mr. Yip Chi Hung

Mr. Chen Che Yuan

Independent non-executive directors:

Mr. Wong Chi Keung

Mr. Cheng Hok Ming, Albert

Mr. Ma Kwai Yuen