

Report of the Directors

The directors of PacMOS Technologies Holdings Limited (the “Directors”) submit their report together with the audited financial statements of PacMOS Technologies Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investments holding. The activities of its subsidiaries are set out in Note 17 to the financial statements.

An analysis of the Group’s performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the Group’s results for the year ended 31st December 2005 are set out in the consolidated income statement on page 26.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 28 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 27 to the financial statements.

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.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws or the laws of Bermuda which would obligate the Company to offer new shares on a pro rata basis to existing shareholders.

PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of the movements in plant and equipment and investment property of the Group and the Company are set out in Notes 13 and 14 to the financial statements respectively.

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DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2005, calculated under the Companies Act 1981 of Bermuda, amounted to HK\$67,727,000 (2004: HK\$191,660,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 5.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year.

DIRECTORS

The Directors during the year ended 31st December 2005 and up to the date of this report are:

Executive Directors:

Yip Chi Hung	
Chen Che Yuan	(appointed on 9th March 2006)
Seto Yee Woon, John	(resigned on 9th March 2006)
Pang Hong	(removed on 28th June 2005)

Independent Non-executive Directors:

Wong Chi Keung	
Cheng Hok Ming, Albert	
Ma Kwai Yuen	(appointed on 28th June 2005)
Fung Choi On	(resigned on 31st May 2005)

In accordance with the Company's bye-law ("Bye-law") 99, Mr. Wong Chi Keung will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Bye-law 102, Mr. Chen Che Yuan will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all the Independent Non-executive Directors are independent.

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DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 3 and 4 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' and senior management's emoluments are set out in Note 8 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2005, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules, were as follows:

Name of Director	Number of shares		Total	Percentage of equity held
	Personal interest	Corporate interest		
Seto Yee Woon, John	450,000	—	450,000	1.41%

Save as disclosed above, no Directors nor chief executives have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December 2005, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Name of Shareholder	Number of issued shares	Percentage holding
Texan Management Limited	145,610,000	43.3%
Vision2000 Venture Ltd.	106,043,142	31.5%

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its associated corporations a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2005, the five largest customers of the Group accounted for approximately 65% of the Group's total turnover while the largest customer of the Group accounted for approximately 36% of the Group's total turnover. In addition, for the year ended 31st December 2005 the five largest suppliers of the Group accounted for approximately 83% of the Group's total purchases while the largest supplier of the Group accounted for approximately 28% of the Group's total purchases.

Save as disclosed above, none of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

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CONNECTED TRANSACTIONS

During the year, the Group had certain transactions with connected parties as set out below:

1. Rental income of approximately HK\$194,000 and HK\$97,000 (2004: HK\$292,000 and HK\$960,000) were received and/or become receivable from Fong Wing Shing Construction Company Limited and PCL Holdings Limited, respectively. Mr. Yip Chi Hung, Director, is in a position to exercise significant influence over these companies. The rental was charged under normal commercial terms based on the floor area occupied and was no less than those charged to other third party tenants of the Group.
2. Manufacturing service fees of approximately HK\$893,000 (2004: HK\$1,065,000) was payable to Mosel Vitelic Inc. (“MVI”), an indirect substantial shareholder of the Company, by 新茂國際科技股份有限公司 (“SyncMOS Taiwan”), a non wholly-owned subsidiary of the Company.
3. Information system service fees of approximately HK\$436,000 (2004: HK\$421,000) was payable by the SyncMOS Taiwan to MVI. The information system service fee was charged at a monthly fixed amount of approximately HK\$36,000 (2004: HK\$35,000).
4. Operating lease rental and management fees of approximately HK\$809,000 (2004: HK\$782,000) and HK\$315,000 (2004: HK\$304,000) respectively were payable by SyncMOS Taiwan to MVI.

The above transactions were entered into under the ordinary and usual course of business of the Group and on normal commercial terms.

Save as disclosed above, there were no other transactions, which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

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

During the year, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules except the following deviations from Code A.4.1 and A.4.2:

1. the Chairman of the Board is not subject to retirement by rotation pursuant to the Bye-law 99, however, pursuant to the Bye-law 119, amongst other things, the Board shall as soon as practicable following each of the Company’s annual general meeting elect one of its body to the office of Chairman of the Company and may from time to time elect or otherwise appoint other officers and determine the period to hold office;
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;

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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;
4. subsequent to the financial year end, the Board has designated Mr. Yip Chi Hung and Mr. Chen Che Yuan as Chairman and Chief Executive Officer with effect from 9th March 2006 respectively;
5. in early April 2006, the Company established the Remuneration and Nomination Committees, which comprise solely independent non-executive directors, namely Messrs. Wong Chi Keung (*chairman*), Cheng Hok Ming, Albert and Ma Kwai Yuen, with primary duties to recommend, consider and review the remuneration and nomination of Directors respectively; and
6. the Board is scheduled to amend the Bye-laws in the Company's forthcoming 2006 annual general meeting to ensure the retirement of each Director by rotation at least once every three years in compliance with the Code to the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 of the Listing Rules (the "Model Code") 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 31st December 2005, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

EMOLUMENT POLICY

The emoluments of the Directors are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs and the Company's performance.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

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AUDIT COMMITTEE

In April 1999, the Company established an audit committee (the “Audit Committee”) with written terms of reference adopted which were subsequently amended in early April 2006. 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 also reviewed the audited financial statements of the Group for the year ended 31st December 2005.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Yip Chi Hung

Chairman

Hong Kong, 19th April 2006