ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF 2003 AUDITED RESULTS
YEAR ENDED 31ST DECEMBER, 2003

ASM's Outstanding Performance in Year 2003

- Maintained our position as the world's No. 1 in the assembly and packaging equipment industry
- Achieved 41.1% turnover growth with our equipment business growing faster than all our leading competitors
- Delivered 88.2% earning growth with earnings as our 2nd highest ever in a record profit

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement.

RESULTS

We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved turnover amounting to HK$2,604,823,000 in the fiscal year ended 31st December, 2003, representing an increase of 41.1% as compared with HK$1,846,016,000 for the previous year. The Group's consolidated net profit after tax for the year is HK$535,873,000 after deducting a one-time restructuring cost of HK$5,835,000 due to relocation of the Hong Kong leadframe plating operation to China; this is 88.2% higher than the previous year's net profit of HK$284,704,000. Basic earnings per share for the year amounted to HK$1.40 (2002: HK$0.75).

DIVIDEND

An interim dividend of HK$0.36 (2002: HK$0.36) per share was paid in August 2003. Having established a solid foundation in the microelectronics market over the years, ASM intends to further its organic growth path in the near term through enlarging its market share with diversified, high performance products. There is no short term need for major cash outlay and the Group has also managed to generate positive cash flow from operations in each of the past 15 years since its initial public offering (IPO) in late 1988. In view of our strong liquidity and rising equity base, the Board of Directors have decided to recommend a final dividend of HK$0.84 (2002: HK$0.64) per share payable on or around 28th April, 2004, making a total payment of HK$1.20 (2002: HK$1.00) per share for the year ended 31st December, 2003. This translates into a 77.9% dividend payout ratio for the combined 2000-2003 periods and 86.1% on the current year profit; it represents a prudent decision to return current excessive cash holdings to our shareholders while continuing to operate the Group with the optimum shareholders' funds.

FINANCIAL HIGHLIGHTS

	Year ended 31st December, 2003	2002
	HK$'000	*HK$'000*
Turnover	**2,604,823**	1,846,016
Cost of sales	**(1,461,851)**	(1,072,294)
Gross profit	**1,142,972**	773,722
Other operating income	**4,724**	7,403
Selling expenses	**(227,915)**	(175,065)
General and administrative expenses	**(108,394)**	(96,731)
Research and development expenses, net	**(218,360)**	(186,980)
Factory relocation costs	**(5,835)**	(20,000)
Profit from operations	**587,192**	302,349
Finance costs	**(64)**	(168)
Profit before taxation	**587,128**	302,181
Taxation	**(51,255)**	(17,477)
Net profit for the year	**535,873**	284,704
Dividends	**461,414**	382,696
Earnings per share		
— Basic	**HK$1.40**	HK$0.75
— Diluted	**HK$1.39**	HK$0.74

NOTES:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for the first time, Hong Kong Financial Reporting Standard ("HKFRS") — Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA.

The adoption of SSAP 12 (Revised) has no effect on the results for the current or prior accounting periods.

2. SEGMENT INFORMATION

Segment turnover and results

By business segments

	Year ended 31st December,	
	2003	2002
	HK$'000	*HK$'000*
Revenue		
Equipment	**2,165,189**	1,459,107
Leadframe	**439,634**	386,909
	2,604,823	1,846,016
Result		
Equipment	**579,573**	278,018
Leadframe *(Note)*	**3,685**	17,811
	583,258	295,829
Unallocated corporate income	**3,934**	6,520
Profit from operations	**587,192**	302,349
Finance costs	**(64)**	(168)
Profit before taxation	**587,128**	302,181
Taxation	**(51,255)**	(17,477)
Net profit for the year	**535,873**	284,704

Note: The amount for the year ended 31st December, 2003 arrived at after deduction of factory relocation costs of HK$5.8 million (2002:HK$20 million) (see note 5).

By geographical segments

	Turnover Year ended 31st December,		Profit from operations Year ended 31st December,	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
a. Location of operation				
People's Republic of China ("PRC")	**1,239,808**	1,170,263	**230,998**	222,803
Singapore and Malaysia	**1,365,015**	675,753	**352,260**	73,026
	2,604,823	1,846,016	**583,258**	295,829
Unallocated corporate income			**3,934**	6,520
Profit from operations			**587,192**	302,349

	Turnover Year ended 31st December,	
	2003	2002
	HK$'000	*HK$'000*
b. Location of market		
Taiwan	**516,805**	433,557
Mainland China	**415,053**	274,826
Korea	**346,325**	168,100
Malaysia	**293,096**	228,090
Singapore	**222,378**	138,085
Philippines	**213,680**	98,951
Thailand	**175,931**	108,530
Hong Kong	**175,238**	134,316
United States of America and Canada	**76,557**	115,476
Japan	**71,148**	68,799
Europe	**53,228**	42,167
Others	**45,384**	35,119
	2,604,823	1,846,016

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

3. DEPRECIATION

During the year, depreciation of HK$153.5 million (2002: HK$156.4 million) was charged in respect of the Group's property, plant and equipment.

4. TAXATION

	Year ended 31st December, 2003	2002
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**46,511**	23,734
Other jurisdictions	**5,322**	1,961
	51,833	25,695
Under(over)provision in prior years		
Hong Kong	**143**	(1,548)
Other jurisdictions	**940**	—
	1,083	(1,548)
Deferred tax		
Current year	**(2,617)**	(6,670)
Attributable to changes in tax rate	**956**	—
	(1,661)	(6,670)
Taxation attributable to the Company and its subsidiaries	**51,255**	17,477

Hong Kong Profits Tax has been calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's profit arising from the manufacture of semiconductor equipment and materials in Singapore is non-taxable under a tax incentive covering certain new products under the Manufacturing Headquarters status granted by the Singapore tax authority. The tax exemption applies to profits arising for a period of 10 years from 1st January, 2001, subject to the fulfillment of certain criteria during the period.

5. FACTORY RELOCATION COSTS

	Year ended 31st December, **2003** *HK$'000*	2002 *HK$'000*
The amounts comprise:		
Factory relocation and closure costs	**5,835**	512
Provision for termination of employees	**—**	15,000
Impairment loss on property, plant and equipment	**—**	4,488
	5,835	20,000

The amounts represent costs for relocation of a Group's factory in Hong Kong to Mainland China.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31st December, **2003** *HK$'000*	2002 *HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**535,873**	284,704

	Number of shares (in thousand)	
Weighted average number of shares for the purpose of basic earnings per share	**383,410**	381,650
Effect of dilutive potential shares from Employee Share Incentive Scheme	**1,479**	1,528
Weighted average number of shares for the purpose of diluted earnings per share	**384,889**	383,178

REVIEW

For most of the last three years, the semiconductor and assembly & packaging equipment industries have been sailing under dismally grey skies, the sunny days of year 2000 replaced by dark clouds with little sign of a break and future prospects difficult to discern in the gloom. The slow recovery eventually started in the 2nd quarter of 2002, although there were some stronger and weaker quarters along the way. With the world's economy improving and prolonged Iraq war uncertainties removed, the growth of the semiconductor and its assembly equipment industries has been very much in line with industry analysts' projections for 2003: the semiconductor industry by 12–17% in revenues, unit volume by 15.8% according to SIA and assembly & packaging equipment market by 25–32%.

In parallel with the improvement in stock markets since mid-2003, the semiconductor and assembly equipment industries also showed a markedly stronger 2nd half as compared with earlier in the year. The strength of order inflows during the 4th quarter helped to convince the industry that it was not just a bubble in the recovery curve like the 2nd quarter. IC demands seem to be across the board especially for the latest BGA and chip scale packages (CSP), while fine pitch wire bonding and stacked die applications provide life to the capacity-driven wire and die bonder businesses.

Amidst an overall tough business environment during the first nine months and a sudden surge in demands for wire bonders in the 4th quarter, ASM once again outperformed its industry peers and maintained its number one position in the assembly & packaging equipment industry. We achieved a Group turnover of US$334.5 million and net profit of HK$535.9 million, a growth of 41.1% and 88.2% respectively, with both Group turnover and net profit representing the 2nd highest numbers in ASM's corporate history. Return on capital employed and on sales were 30.7% and 22.4%, which are ASM's 3rd and 2nd record-highs respectively. With an exceptionally strong book-to-bill ratio for the last quarter, our ending order backlog as of 31st December, 2003 was US$119 million (US$35 million as of 31st December, 2002).

This result was largely due to the solid foundation laid over the years by the diversification of our products and application markets, efficient cost structure and successful introduction of new products in the last five years enlarging our market share. In 2003, sales attributable to our five largest customers combined were 36.9% of the total, with only one customer exceeding 10%, clear evidence of the success of our diversified market strategy. We also enjoyed a wide geographical spread mirroring the investment climate of the industry, with Taiwan being our largest (19.8%) market and followed by Mainland China (15.9%). For the latter, shipments (US$53.3 million) were substantially (51.0%) higher than the preceding year creating another new record for the territory.

The soft periods of the recent years provided valuable opportunities for ASM to launch market assaults with our new, high performance products and gain market share. Our current market share is the largest in the industry, and building on this our equipment business, which represented 83.1% of the Group's turnover in 2003, grew 48.4% to US$278 million, achieving a higher growth rate than all leading competitors. We enlarged the 2003 revenue gap between ourselves and our closest competitor to 18.5%, wider than the previous calendar year of 4.7% and the preceding twelve months (2H/02-1H/03) of 14.1%. Such strong business performance clearly reflects the endorsement of ASM's products and services by our valued customers, and distinguishes ASM from our peers. In a similar standout result, ASM's share price and market capitalization have grown by over 125% during the 2003 twelve-month period, reflecting the appreciation of our efforts by the investment community.

Leadframe business, which accounts for 16.9% of the Group's turnover, grew 13.6% to US$56.5 million last year, higher than the market growth of 8.2% according to SEMI. The relocation of our stamped frames production to an integrated factory in Fu Yong, China was successfully completed as planned. We can now compete more aggressively, with space to double our output as and when required and a cost-efficient structure: reduced personnel and rental costs, shortened manufacturing lead time and minimal work-in-progress. Apart from installing a new etching line in our Singapore plant in the 4th quarter to enhance our QFN capacity and fine pitch capability, we have decided to build a 280,000 sq.ft. factory in Pasir Gudang, Johor Bahru, Malaysia to be ready in early 2005, principally to house our leadframe activities. In addition to providing expansion space for our etched frame plating operation, we also intend to add stamping production to this new facility later in the year, to effectively address the stamped frame business in the Malaysia and Singapore markets. Initial project cost of US$12 million for the facility, plating lines and additional production machineries have been included in our 2004 capital investment plans.

While most of our competitors have been cutting headcounts and projects to minimize their cash drain, ASM in contrast has accelerated our technology and product developments. Last year we actually increased our R&D expenses to HK$218.4 million (2002: HK$187.0 million), representing 10.1% (2002: 12.8%) of our equipment sales. With a 35 μm fine pitch bond capability that is one generation ahead of our competitors, ASM's Eagle 60 gold wire bonder out-performed its competitors in many benchmarking exercises, enabling ASM to capture several new major IC accounts. These include three top five American semiconductor companies for their state-of-the-art BGA, TQFP, image sensor and copper wire bonding applications, three leading subcons based in Singapore, Hong Kong and China, and two U.S. integrated device manufacturers (IDMs) all well-known in the semiconductor industry. With the advent of 300 mm. wafer and stacked die packaging, our high speed, innovative IC die bonder has been making steady inroads into the market, enlarging its market share and installed base. As evidenced by the initial orders received, exciting new products such as our flip chip bonders and soft solder die attach have helped opening up opportunities in new market segments we did not serve in the past, thereby strengthening ASM's leadership in the chip attachment process.

While we have to deal with a much higher gold wire bonder production run rate resembling that last experienced in year 2000, increased work-in-progress due to our wider spectrum of new products and the short order lead time demanded by today's customers, the enterprise resources planning (ERP) software widely implemented within ASM worldwide in the recent years has proved to be a valuable tool in streamlining our logistics and inventory management. After two successive years of inventory reductions for a total of HK$186.0 million in 2001 and 2002, we only need to slightly (4.7%) raise our inventory by HK$23.7 million to HK$529.5 million in 2003, despite achieving an increased inventory turnover of 5.03 times, much better than the previous years. Combining the effect of the change in operating capital with earnings from operations, we generated a free cash flow of HK$392.6 million (2002: HK$358.8 million) during the year and a return on invested capital of 39.7% (2002: 19.6%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's shareholders' funds increased slightly to HK$1,915,502,000 as at 31st December, 2003 (2002: HK$1,756,072,000). As there were no long term borrowings, gearing of the Group was zero, the same as for the past four years.

Although HK$383.3 million was paid as dividends and HK$160.5 million was spent in capital investments during the twelve-month period, due to good control of working capital and strong positive cash flow, cash on hand as of 31st December, 2003 was slightly increased to HK$513,078,000 (2002: HK$465,569,000). In fact, majority of the capital investments were funded by the current year's depreciation of HK$153.5 million.

There was no bank borrowing as of 31st December, 2003. Current ratio was 3.2. Account receivables are mostly from the 4th quarter shipments and have been tightly monitored during the year, resulting in 96.4 days sales outstanding.

The Group has minimal currency exposure as the majority of all sales were denominated in US dollars. On the other hand, its disbursements were mainly in US dollars, Hong Kong dollars, Singapore dollars and Renminbi. The limited yen-based receivables were offset by some accounts payables in yen to Japanese vendors.

HUMAN RESOURCES

The Group adopts a competitive remuneration package for its employees. Aside from salary payments, other benefits include contributions to provident fund schemes and medical subsidies. In addition, based on the Group's financial results and individual performance, discretionary bonus and bonus shares may be granted to eligible staff. In general, salary review is conducted annually. The Group is committed to continue its rigorous staff development and training programs.

As at 31st December, 2003, the total headcount of the Group worldwide was approximately 6,200 people.

PROSPECTS

Allowing for an improving US economy in an election year, a stronger spending outlook from consumers and the continuing penetration by semiconductor content into new end markets, most industry analysts such as Dataquests, VLSI Research, SIA, IC Insights, Semico, iSuppli and WSTS currently predict a strong 20+% (Range 17–29%) growth for the semiconductor industry in 2004, to be followed by moderate growths in 2005 and 2006. IC unit volume is expected to rise 13.2% according to In-Stat. Chip scale packages like QFN and stacked packages have been designed into the latest generation of wireless communication and hand held products, and are thus expected to have accelerated growth.

For the assembly equipment market, most pundits (Dataquest, SEMI, VLSI) have projected very optimistic 38–40% growth for 2004 and further strong double-digit increase (20–35%) for 2005. While the memory of the past 2–3 depressed years remains fresh, sceptics may consider such projection too ambitious. Fortunately the stock market has turned more positive towards high tech companies in the recent months. Hopefully money will become more accessible to fund the capital expenditure of our customers, resulting in a lucrative assembly equipment market in a bumper year 2004.

On the ASM front, we have been aggressively adding parts-fabrication machines to boost output and contain our equipment delivery lead time well within customer-acceptable limits. Recently we have also taken up additional 28,000 sq.ft. and 20,000 sq.ft. floor spaces in our Hong Kong and China plants. We have also simultaneously beefed up our sales and service, production and product development staffs to cope with the increasing order backlog, which has gone back to the year 2000 level. Together with our Malaysian leadframe project, investments to upgrade our leadframe manufacturing, R&D capabilities and information technology infrastructure, capital investment planned for 2004 is HK$250 million.

To reinforce our strategic partnerships with key customers, we support them with different packaging solutions using ASM equipment and leadframes, such as: stacked die, image sensor assembly, high brightness LED, power devices bonded with copper wires, QFN packaging, etc. Combining our process knowledge in die bonding, flip chip, wire bonding, encapsulation and leadframe design, ASM's solution selling strategy markedly differentiates us from all our competitors and has proven time after time to unlock the doors of customers not accessible by a standalone product field evaluation.

By continuously offering customers improved added value propositions based on our equipment products to satisfy their changing needs, ASM can maintain its industry leadership position. Our customers are facing numerous tough challenges. Advanced wafer fabrication presents low k dialectric, finer line width and copper interconnect problems. Demands in miniaturization, speed and electrical device performance need to be addressed by stacked die, flip chip and wafer level packages. Coupled with state-of-the-art line width, 300mm wafers significantly reduce the die cost per assembled IC, making IC assembly the relatively more expensive process. Driven by market forces to continuously offer reduced prices in electronic goods, our customers are faced with huge pressures to reduce costs while still needing to invest in the new generation of bonding equipment to assemble these advanced packages.

Innovative solutions are called for, and so ASM has developed and mapped out a portfolio of die, wire and flip chip bonder products geared for different die sizes, attachment processes, pad pitch requirements and cost objectives. New series of IC die and wire bonders with significant productivity enhancement are scheduled to be launched this year, and these will solidify our leadership position in the die attachment and wire bonding markets. In pursuance of our customer intimacy strategy, we are concurrently developing a number of solutions for attaching lenses to image sensors, adopting flip chip thermosonic processes to assemble bright LEDs, bonding 4-6 mil copper wire to replace thicker aluminium wires in power packages, and integrating several processes into one wafer level or test handler. Providing what our customers want in niche applications helps further cement the business relationship, leading to opportunities in other mainstream products.

With the business foundation laid over the years by our diversified products serving different application markets, market leadership in die and wire bonders generating capacity-related business in boom times, process and enabling technologies resulting in a stream of exciting new products, and vertical integration in product design and manufacturing achieving the most competitive cost structure, ASM is well-positioned to benefit from the current thriving market environment and future challenges.

PURCHASE, SALE OR REDEMPTION OF SHARES

There has been no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the year.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange") will be subsequently published on the Exchange's website in due course.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be convened on 23rd April, 2004. An annual report of the Company containing a notice of the meeting will be dispatched to the shareholders.

On behalf of the Board
Patrick Lam See Pong
Director

Hong Kong, 24th February, 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of ASM Pacific Technology Limited (the "Company") will be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 23rd April, 2004 at 3:30 pm for the following purposes:

1. To receive, consider and adopt the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2003.
2. To declare a final dividend of HK$0.84 per share for the year ended 31st December, 2003.
3. To elect director and authorise the board of directors to fix the directors' remuneration.
4. To re-appoint the auditors and to authorise the board of directors to fix their remuneration.

By order of the Board
Patrick Lam See Pong
Director

Hong Kong, 24th February, 2004

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong at 12th Floor, Watson Centre, 16–22 Kung Yip Street, Kwai Chung, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members of the Company will be closed from 15th April to 23rd April, 2004, both days inclusive during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 14th April, 2004.

Please also refer to the published version of this announcement in the ***(South China Morning Post)***