



# ASM PACIFIC TECHNOLOGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 0522)

## ANNOUNCEMENT OF 2004 AUDITED RESULTS YEAR ENDED 31ST DECEMBER, 2004

### ASM's Outstanding Performance in Year 2004

- Retained the world's No. 1 position in the assembly and packaging equipment industry
- Achieved 47.0% turnover growth with the equipment business growing faster than our major competitors
- Delivered 87.1% earnings growth, the second highest earnings in our history and in excess of HK\$1 billion

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\$3,828,930,000 in the fiscal year ended 31st December, 2004, representing an increase of 47.0% as compared with HK\$2,604,823,000 for the previous year. The Group's consolidated net profit after tax for the year is HK\$1,002,595,000, which is 87.1% higher than the previous year's net profit of HK\$535,873,000. Basic earnings per share for the year amounted to HK\$2.61 (2003: HK\$1.40).

### DIVIDEND

An interim dividend of HK\$0.45 (2003: HK\$0.36) and a special dividend of HK\$0.55 per share were paid in August 2004. 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 consistently generated significant positive cash flow from operations in each of the past five years. In view of our strong liquidity and rising equity base, the Board of Directors has decided to recommend a final dividend of HK\$1.05 (2003: HK\$0.84) per share payable on or around 29th April, 2005, making a total dividend payment of HK\$2.05 (2003: HK\$1.20) per share for the year ended 31st December, 2004, inclusive of HK\$0.55 per share of special dividend. This translates into a 78.6% dividend payout ratio for the current year profit; representing 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,	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	1	<b>3,828,930</b>	2,604,823
Cost of sales		<u><b>(2,097,617)</b></u>	<u>(1,461,851)</u>
Gross profit		<b>1,731,313</b>	1,142,972
Other operating income		<b>9,278</b>	4,724
Selling expenses		<b>(291,733)</b>	(227,915)
General and administrative expenses		<b>(123,876)</b>	(108,394)
Research and development expenses, net		<b>(262,585)</b>	(218,360)
Factory relocation costs		<u><b>—</b></u>	<u>(5,835)</u>
Profit from operations		<b>1,062,397</b>	587,192
Finance costs		<u><b>(15)</b></u>	<u>(64)</u>
Profit before taxation		<b>1,062,382</b>	587,128
Taxation	3	<u><b>(59,787)</b></u>	<u>(51,255)</u>
Net profit for the year		<u><b>1,002,595</b></u>	<u>535,873</u>
Dividends		<u><b>788,002</b></u>	<u>461,414</u>
Earnings per share	4		
— Basic		<u><b>HK\$2.61</b></u>	<u>HK\$1.40</u>
— Diluted		<u><b>HK\$2.60</b></u>	<u>HK\$1.39</u>

NOTES:

## 1. SEGMENT INFORMATION

### Segment turnover and results

#### *By business segments*

	Year ended 31st December,	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Equipment	3,252,042	2,165,189
Leadframe	<u>576,888</u>	<u>439,634</u>
	<u><b>3,828,930</b></u>	<u><b>2,604,823</b></u>
Result		
Equipment	992,139	579,573
Leadframe	<u>62,335</u>	<u>3,685</u>
	<u><b>1,054,474</b></u>	<u><b>583,258</b></u>
Unallocated corporate income	<u>7,923</u>	<u>3,934</u>
Profit from operations	1,062,397	587,192
Finance costs	<u>(15)</u>	<u>(64)</u>
Profit before taxation	1,062,382	587,128
Taxation	<u>(59,787)</u>	<u>(51,255)</u>
Net profit for the year	<u><b>1,002,595</b></u>	<u><b>535,873</b></u>

#### *By geographical segments*

	Turnover		Profit from operations	
	Year ended 31st December,		Year ended 31st December,	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>a. Location of operation</b>				
People's Republic of China ("PRC"), including Hong Kong and Mainland China	1,992,532	1,239,808	549,981	230,998
Singapore and Malaysia	<u>1,836,398</u>	<u>1,365,015</u>	<u>504,493</u>	<u>352,260</u>
	<u><b>3,828,930</b></u>	<u><b>2,604,823</b></u>	<u><b>1,054,474</b></u>	<u><b>583,258</b></u>
Unallocated corporate income			<u>7,923</u>	<u>3,934</u>
Profit from operations			<u><b>1,062,397</b></u>	<u><b>587,192</b></u>

**Turnover**  
**Year ended**  
**31st December,**  
**2004**                      **2003**  
**HK\$'000**                      **HK\$'000**

**b. Location of market**

Taiwan	<b>850,975</b>	516,805
Mainland China	<b>742,272</b>	415,053
Malaysia	<b>539,390</b>	293,096
Philippines	<b>335,571</b>	213,680
Hong Kong	<b>281,008</b>	175,238
Thailand	<b>280,609</b>	175,931
Korea	<b>222,670</b>	346,325
United States of America	<b>204,795</b>	76,557
Singapore	<b>197,768</b>	222,378
Europe	<b>66,302</b>	53,228
Japan	<b>55,445</b>	71,148
Others	<b>52,125</b>	45,384
	<b><u>3,828,930</u></b>	<b><u>2,604,823</u></b>

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.

## 2. DEPRECIATION

During the year, depreciation of HK\$182.1 million (2003: HK\$153.5 million) was charged in respect of the Group's property, plant and equipment.

## 3. TAXATION

**Year ended 31st**  
**December,**  
**2004**                      **2003**  
**HK\$'000**                      **HK\$'000**

Current tax		
Hong Kong	<b>61,347</b>	46,511
Other jurisdictions	<b>7,016</b>	5,322
	<b><u>68,363</u></b>	<u>51,833</u>
(Over)underprovision in prior years		
Hong Kong	<b>(86)</b>	143
Other jurisdictions	<b>(2,028)</b>	940
	<b><u>(2,114)</u></b>	<u>1,083</u>
Deferred tax		
Current year	<b>(6,462)</b>	(2,617)
Attributable to changes in tax rates	<b>—</b>	956
	<b><u>(6,462)</u></b>	<u>(1,661)</u>
Taxation attributable to the Company and its subsidiaries	<b><u>59,787</u></b>	<b><u>51,255</u></b>

Hong Kong Profits Tax has been calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant 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.

Certain subsidiaries of the Group operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC Income Taxes for the year.

#### 4. EARNINGS PER SHARE

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

	<b>Year ended 31st December,</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u><b>1,002,595</b></u>	<u>535,873</u>
	<b>Number of shares (in thousand)</b>	
Weighted average number of shares for the purpose of basic earnings per share	<b>384,313</b>	383,410
Effect of dilutive potential shares from the Employee Share Incentive Scheme	<u><b>1,451</b></u>	<u>1,479</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><b>385,764</b></u>	<u>384,889</u>

#### REVIEW

Although gaining wide-spread acceptance in recent years, information technology (IT) planning tools and out-sourcing strategy have really made their presence felt over the last twelve months. Every sector of the electronics food chain monitored their projected demands and inventory levels, making prudent decisions to quickly revise their production schedules upward or downward as needed. The four quarters of 2004 were as different as the four seasons of the year. Buoyed by optimistic projections of electronic end-product demands at the beginning of the year, the semiconductor industry promptly reacted and aggressively installed capacity for the latest BGA and chip scale package (CSP), generating strong requirements for die and wire bonders used in stacked die and fine pitch bonding. For most companies, the decent beginning of the year order backlogs were followed by higher outputs in the second quarter. Unfortunately, when electronics companies adjusted their outputs to optimize their inventory levels, the inflection point for assembly equipment demands clearly occurred in the middle of the third quarter, with the equipment market turning from across-the-board boom to selected purchases addressing specific capability and package requirements. During the fourth quarter, every company was anxiously looking forward for spring to come.

Compared with previous years, 2004 overall was a year of continued recovery and excellent growth for both the semiconductor and its equipment industries, both in terms of unit volume and dollar sales. With the healthy world economic conditions and increasing popularity of hand-held electronic goods, the semiconductor industry expanded by 24–29% in revenue while the assembly and packaging equipment market increased by 44–49% in 2004, according to the year-end estimates by various industry analysts. Disregarding the incorrect mid-year adjustments by various analysts that reflected the prevailing optimism at the time, both the semiconductor and assembly equipment industries performed basically in line with previous projections at the beginning of the year.

Consistent with our results over the last five years, ASM once again outperformed its industry peers and gained market share, maintaining its number one position in the assembly and packaging equipment industry. We achieved a Group turnover of US\$491.6 million and net profit of HK\$1,002.6 million, a growth of 47.0% (2003: 41.1%) and 87.1% (2003: 88.2%) respectively, with both Group turnover and net profit representing the second highest numbers in ASM's corporate history. In fact, capitalizing on the strong market environment during the first half of 2004, the Group achieved new heights in revenues and profitability over the six-month period, surpassing previous peaks in year 2000. For the whole year, return on capital employed and on sales was 48.8% and 27.5% respectively; both are ASM's second highest on record. With outputs catching up on demands starting the second quarter and weaker inflows of orders during the second half year, book-to-bill ratio was 0.89 for the year and our ending order backlog as of 31st December, 2004 was US\$63 million (US\$119 million as of 31st December, 2003).

In 2004, sales attributable to our five largest customers combined were 28% of the total, with only one customer exceeding 10%, clear evidence of the success of our continuing diversified market strategy. We also enjoyed a good geographical spread mirroring the investment climate of the industry, with Taiwan being our largest (22.2%) market and followed by China (19.4%). For the latter, shipments (US\$95.3 million) were substantially (78.8%) higher than the preceding year, creating another new record for the territory.

A comparison of the revenue peaks and valleys of our leading competitors in 2004 clearly illustrates the importance of offering diversified products to serve broad application markets in a rapidly changing economic environment. ASM has structured its business strategy on such a foundation, resulting in our financial performance repeatedly outshining our competitors at challenging times. Our equipment business, which represented 84.9% of the Group's turnover in 2004, grew 50.2% to US\$417.5 million, achieving a higher growth rate than our major competitors. We further enlarged the 2004 revenue gap between ourselves and our closest rival to US\$108 million or 34.9%, larger than the 18.5% and 4.7% gaps of the two preceding calendar years. Such a strong financial performance clearly reflects ASM's leadership position in the two largest market segments — the wire and die bonder areas — and the growing acceptance of other ASM products and services.

Heavy market demands coupled with capacity expansion and operational improvements in both our new China factory and Singapore plants resulted in 31.2% growth of our leadframe business to US\$74.1 million in 2004, representing 15.1% of the Group's turnover. Both our stamped and QFN etched frames made good inroads in our target markets, growing faster than the leadframe industry as a whole which increased by 14.3% last year according to SEMI's January 2005 report. The strategic realignment of our leadframe operation continued as planned, with our 280,000 sq.ft. factory in Pasir Gudang, Johor Bahru, Malaysia ready for occupation by end of 2004. We have been relocating our machine part production and post-plating activities to this new Malaysian plant



since the beginning of the year, to be followed by the plating operation during the first half of 2005. Upon the successful transfer of all plating activities from our Singapore plant to this new Malaysian factory, we intend to add stamping production to the new facility to effectively address the stamped frame business in Malaysia and Singapore markets.

Tech companies increasingly have to deliver solutions that respond to the end users' demands. Our customers' unrelenting needs for ever lower assembly and packaging costs, new package types like QFN, stacked die and flip chip, and the ceaseless push of the technology envelope on fine pitch wire bonding, thin die attachment and ultra thin molded packages call for innovative solutions and strong R&D commitments from equipment suppliers.

Last year we launched our Twin Eagle wire bonder (35 microns capability) featuring two bonding heads, delivering a productivity gain of 80–100% depending on applications. It requires only 30% more floor space than a single head wire bonder, making our Twin Eagle the highest throughput and the lowest cost-of-ownership bonding machine in the world today. Concurrently, another new model wire bonder, the Eagle 60 AP, capable of 30 microns linear pad pitch bonding and 10% faster than our Eagle 60, also migrated to volume production towards end of the year. In addition, we provide a process solution to pick ultra thin (down to 50 microns) die with our IC die bonder. We also offer a new IC die bonder catering for smaller die sizes with a 30% productivity enhancement over our universal platform. Besides our flip chip bonder for eutectic solder process, ASM also offers a complete solution for the small input/output (I/O) flip chip devices with gold or copper stud bumping and thermosonic attachment process. All these new products and solutions could not have been developed in such a short time without our 600 R&D staff located in Hong Kong and Singapore, and an ever-increasing R&D expenditure that amounted to HK\$262.6 million (2003: HK\$218.4 million), representing 8.1% of our current year's equipment sales.

Although we had to deal with a much wider range of products than in the past and a record production run rate during the first six months of the year, together with the investments for the new Malaysian plant, we made aggressive capital expenditure amounting to HK\$299.8 million in 2004. Over the years, we have continued to streamline our working capital management. Last year, we saw the fruits of our past efforts and achieved record inventory turnover of 7.06 times (2003: 5.03 times), with our ending inventory HK\$554.8 million only slightly increased by 4.8% in order to deal with the much higher revenue. Coupled with our good collection efforts, the small addition in operating capital requirement during 2004 resulted in a record free cash flow of HK\$957.6 million (2003: HK\$392.6 million) and a return on invested capital of 67.2% (2003: 39.7%).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's shareholders' funds increased to HK\$2,177,465,000 as at 31st December, 2004 (2003: HK\$1,915,502,000). As there were no long term borrowings, gearing of the Group was zero, the same as for the past five years.

Although HK\$706.9 million was paid as dividends and HK\$299.8 million was spent in capital investments during the twelve-month period, due to good control of working capital and strong positive cash flow from operation, cash on hand as of 31st December, 2004 increased by 48.8% to HK\$763,359,000 (2003: HK\$513,078,000). In fact, a good portion of the capital investments were funded by the current year's depreciation of HK\$182.1 million.

There was no bank borrowing as of 31st December, 2004. Current ratio was 3.47. Account receivables have been tightly monitored during the year, and together with higher revenues resulted in a major improvement to 57.0 days sales outstanding (2003: 96.4 days)

The Group has minimal currency exposure as the majority of all sales were denominated in U.S. dollars. On the other hand, the disbursements were mainly in U.S. 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**

ASM places special emphasis on both recruiting and keeping first-class employees, not only through competitive remuneration packages but also by a total commitment to rigorous staff development opportunities and training programs. In general, salary review is conducted annually. In addition to salary payments, other benefits include contributions to provident fund schemes and medical subsidies. Discretionary bonus and bonus shares may be granted to eligible staff based on the Group's financial results and individual performance.

As at 31st December, 2004, the total headcount of the Group worldwide was approximately 6,800 people.

## **PROSPECTS**

According to Semiconductor Industry Association (SIA), sales of semiconductors for consumer devices in 2004 were for the first time in industry history greater than sales for corporate gear. With the consumer a more important driver for the semiconductor market, in future the health of the chip sector will be tied more to macroeconomic factors. As outlook in consumer spending remains positive and semiconductor content is rising in numerous end products, most industry analysts (VLSI Research, Dataquest, WSTS, SIA, iSuppli) forecast a moderate single-digit (0–9%) growth for the semiconductor industry in 2005, after a splendid 2004 that hit record revenues of US\$217 billion, to be followed by higher growth rate in 2006. According to the 2004 Electronic Trend Publication, IC unit volume is projected to have compound annual growth rate (CAGR) of 10.55% over the 2003–2008 period.

To meet the constant challenges of higher performance, diversified functionalities, cost reduction and product miniaturization, more and more IC packages are being designed with finer line width, stacked die, chip scale form factor (e.g. QFN) and system in package (SIP), necessitating the latest generation of assembly equipment. For the assembly equipment market, the rate of change this year will depend on the timing of the recovery of the IC packaging segment in adding capacity-related equipment. Most pundits (VLSI Research, Dataquest, SEMI) currently project a negative growth for 2005 ranging from 2–22% and expect a double-digit increase again in 2006.

In the recent years, the assembly equipment industry has been characterized by its quick swings upwards or downwards responding to end-market inventory-level adjustments. To ensure that ASM can flexibly cope with such sudden surges or a prolonged slowdown, management has instructed our manufacturing and marketing teams to carefully evaluate our raw materials pipe-line and work-in-progress (WIP) and take appropriate actions. Although it is premature to draw any conclusions, unlike the previous quarter we have seen some rush orders for capacity-related equipment like wire bonders in the recent weeks. Hopefully this may indicate that we have passed the trough and the turning point has arrived sooner than the sceptics' projection of the second half of the year.

Although it is more challenging to manage and develop multiple products serving diversified market segments, over the years we have persisted with this business philosophy to build a thriving company more resilient to industry fluctuation than our competitors. Our differentiated, exciting



new wire and die bonders (as mentioned in the Review Section) with unmatched cost-of-ownership and process capability, e.g. 30 microns pad pitch and copper wire bonding, should propel ASM forward by gaining new customers in the industry's biggest and second largest product market segments. The good progress we made in recent years on flip chip bonders, encapsulation equipment, integrated test handlers and other chip size/scale (CSP) assembly equipment have laid a solid foundation for growth, empowering ASM to aggressively pursue future market opportunities. Leading customers have shown their recognition of our long-term commitment to leadframes — as evident in our new China and Malaysian plants — and demonstrated enthusiasm to expand business with us.

The key to reinforcing our strategic partnerships with customers lies in our ability to provide them with integrated business solutions over and above our state-of-the-art products. By supporting clients with different packaging and factory automation solutions using ASM equipment and leadframes, such as image sensor assembly, QFN packaging, high brightness LED, copper wire bonding, etc., we are offering them unparalleled value propositions that have repeatedly unlocked doors not accessible by a standalone product field evaluation. And facing new challenges such as bonding on low k dielectric, fine line width, copper interconnect and thin wafers, our customers appreciate ASM's continued process enhancements to answer their needs. Our innovative solution-selling strategy markedly differentiates us from all our competitors, enabling us to further expand our business.

To further strengthen our R&D analytical equipment and information technology infrastructure, the rapid prototyping of parts to support our equipment product development, and equipping our Malaysian plants with tooling, stamping and plating capabilities, capital investment of HK\$200 million was planned for 2005. Management believes that our aggressive and consistent investments for the future in facilities, process and product developments will lead the Company to higher ground and yield a corresponding return.

With the wealth of process and enabling technologies accumulated over the years, a track record of successful execution of our customer-centred business strategy and the most efficient cost structure in our industry, ASM is well-positioned to compete in the market place. Our 34.9% revenue lead over the closest competitor in 2004 further crystallized our premier position in the industry. The lengthy battle for market share in a dynamic market environment naturally favours the combatant who possesses richer resources and a greater abundance of world-class products. It is management's belief that ASM will continue to out-perform our industry peers in both strong and soft market scenarios.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31st December, 2004, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 1,548,000 shares of HK\$0.1 each at an aggregate price of HK\$42,485,000 (the highest/lowest price per share paid: HK\$28.90/26.55). The repurchased shares were cancelled upon repurchase and accordingly, the issued share capital of the Company was reduced by HK\$155,000 thereof. The premium payable on repurchase of HK\$42,330,000 was charged against the share premium and an amount HK\$155,000 for shares cancelled was transferred from accumulated profits to the capital redemption reserve. Taken into account of the current market condition and the cash position of the Company, the directors considered that the repurchases of shares were in the best interest of the Company.

## **PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE**

A detailed results announcement containing all the information required by paragraph 45 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 25th April, 2005. 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, 2005

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Arthur H. del Prado, Mr. Patrick Lam See Pong and Mr. Alan Fung Shu Kan as executive directors; Miss Orasa Livasiri, Mr. Eric Tang Koon Hung and Mr. Robert Lee Shiu Hung as independent non-executive directors.*

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