



## **ASM PACIFIC TECHNOLOGY LIMITED**

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

**(Stock Code: 0522)**

### **ANNOUNCEMENT OF 2006 AUDITED RESULTS**

**YEAR ENDED 31<sup>ST</sup> DECEMBER, 2006**

#### **ASM's Record Performance in Year 2006**

- \* **Record Group turnover of US\$587 million, a growth of 28.8% over the previous year**
- \* **Record profit of HK\$1,149 million and earnings per share of HK\$2.97**
- \* **Record equipment turnover, achieving 25.1% revenue growth and US\$461 million sales**
- \* **Record leadframe turnover, achieving 44.8% revenue growth and US\$126 million sales**
- \* **Retained the world's No. 1 position in the assembly and packaging equipment industry held since 2002**
- \* **Record cash on hand of HK\$915 million at the end of 2006**

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 a record turnover amounting to HK\$4,555,953,000 in the fiscal year ended 31<sup>st</sup> December, 2006, representing an increase of 28.8% as compared with HK\$3,536,855,000 for the previous year. The Group's consolidated profit for the year is HK\$1,149,477,000, which is 35.2% higher than the previous year's consolidated profit of HK\$850,485,000. Basic earnings per share for the year amounted to HK\$2.97 (2005: HK\$2.21).

### **DIVIDEND**

An interim dividend of HK\$0.70 (2005: HK\$0.50) per share and first special dividend of HK\$0.75 (2005: HK\$0.20) per share were paid in August 2006.

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 ten years.

In view of our strong liquidity and rising equity base, the Board of Directors have decided to recommend a final and second special dividend of HK\$1.00 (2005: HK\$1.00) per share and HK\$0.20 (2005: HK\$0.30) per share respectively payable on or around 30<sup>th</sup> April, 2007, making a total dividend payment of HK\$2.65 (2005: HK\$2.00) per share for the year ended 31<sup>st</sup> December, 2006, inclusive of

HK\$0.95 (2005:HK\$0.50) per share of special dividend. This translates into a 89.4% 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.

The Register of Members will be closed from 17<sup>th</sup> April, 2007 to 23<sup>rd</sup> April, 2007, both days inclusive. In order to qualify for the proposed final and second special dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 16<sup>th</sup> April, 2007. The proposed final and second special dividend will be paid on or about 30<sup>th</sup> April, 2007.

## CONSOLIDATED INCOME STATEMENT

		<b>Year ended 31st December</b>	
		<b>2006</b>	<b>2005</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>		
Turnover	1	<b>4,555,953</b>	3,536,855
Cost of sales		<b>(2,476,568)</b>	(1,926,077)
Gross profit		<b>2,079,385</b>	1,610,778
Other income		<b>34,327</b>	21,283
Selling expenses		<b>(375,802)</b>	(316,950)
General and administrative expenses		<b>(172,002)</b>	(143,534)
Research and development expenses		<b>(286,935)</b>	(267,638)
Finance costs		<b>(199)</b>	(15)
Profit before taxation		<b>1,278,774</b>	903,924
Income tax expense	3	<b>(129,297)</b>	(53,439)
Profit for the year		<b>1,149,477</b>	850,485
Dividend paid	4	<b>1,064,413</b>	674,220
Dividend proposed	4	<b>466,607</b>	503,177
Earnings per share	5		
- Basic		<b>HK\$2.97</b>	HK\$2.21
- Diluted		<b>HK\$2.96</b>	HK\$2.20

## CONSOLIDATED BALANCE SHEET

		<b>At 31st December</b>	
		<b>2006</b>	<b>2005</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>	<i>Notes</i>		
Property, plant and equipment		<b>858,989</b>	808,030
Prepaid lease payments		<b>9,128</b>	8,951
Deferred tax assets		<b>878</b>	118
		<b>868,995</b>	<b>817,099</b>
<b>Current assets</b>			
Inventories		<b>740,161</b>	609,345
Trade and other receivables	6	<b>962,414</b>	892,255
Prepaid lease payments		<b>480</b>	448
Bank balances and cash		<b>914,681</b>	728,927
		<b>2,617,736</b>	<b>2,230,975</b>
<b>Current liabilities</b>			
Trade and other payables	7	<b>765,817</b>	585,020
Taxation		<b>149,529</b>	66,101
Notes payable to a bank		<b>7,244</b>	462
		<b>922,590</b>	<b>651,583</b>
<b>Net current assets</b>		<b>1,695,146</b>	<b>1,579,392</b>
		<b>2,564,141</b>	<b>2,396,491</b>
<b>Capital and reserves</b>			
Share capital		<b>38,884</b>	38,706
Dividend reserve		<b>466,607</b>	503,177
Other reserves		<b>2,056,583</b>	1,851,651
<b>Equity attributable to equity holders of the Company</b>		<b>2,562,074</b>	<b>2,393,534</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>2,067</b>	2,957
		<b>2,564,141</b>	<b>2,396,491</b>

Notes:

## 1. SEGMENT INFORMATION

Segment turnover and results

### By business segments

	Year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Equipment	3,581,917	2,864,384
Leadframe	974,036	672,471
	<u>4,555,953</u>	<u>3,536,855</u>
Result		
Equipment	1,125,633	779,358
Leadframe	121,011	109,556
	<u>1,246,644</u>	<u>888,914</u>
Interest income	32,329	15,025
Finance costs	(199)	(15)
Profit before taxation	<u>1,278,774</u>	<u>903,924</u>
Income tax expense	(129,297)	(53,439)
Profit for the year	<u>1,149,477</u>	<u>850,485</u>

### By geographical segments

	Turnover		Profit before taxation	
	Year ended 31st December		Year ended 31st December	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

#### a. Location of operation

People's Republic of China ("PRC"),

including Hong Kong and

Mainland China

Singapore and Malaysia

	2,735,647	1,859,197	875,022	508,725
	1,820,306	1,677,658	371,622	380,189
	<u>4,555,953</u>	<u>3,536,855</u>	<u>1,246,644</u>	<u>888,914</u>

Interest income

32,329

15,025

Finance costs

(199)

(15)

Profit before taxation

1,278,774

903,924

<b>b. Location of market</b>	<b>Turnover</b>	
	<b>Year ended 31st December</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Mainland China	<b>1,137,465</b>	774,972
Taiwan	<b>936,463</b>	742,304
Malaysia	<b>700,444</b>	445,371
Hong Kong	<b>386,263</b>	256,515
Thailand	<b>305,451</b>	246,546
Philippines	<b>249,073</b>	255,488
Korea	<b>233,769</b>	322,805
United States of America and Latin America	<b>194,636</b>	147,741
Singapore	<b>129,301</b>	150,068
Europe	<b>117,713</b>	107,325
Japan	<b>114,553</b>	45,790
Others	<b>50,822</b>	41,930
	<b>4,555,953</b>	<b>3,536,855</b>

## **2. DEPRECIATION**

During the year, depreciation of HK\$168.4 million (2005: HK\$154.4 million) was charged in respect of the Group's property, plant and equipment.

### 3. INCOME TAX EXPENSE

	Year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	118,198	44,334
Other jurisdictions	11,082	7,695
	<u>129,280</u>	<u>52,029</u>
Under(over)provision in prior years:		
Hong Kong	-	2
Other jurisdictions	1,630	(1,061)
	<u>1,630</u>	<u>(1,059)</u>
Deferred tax (credit) charge		
Current year	(1,613)	2,469
	<u>129,297</u>	<u>53,439</u>

Hong Kong Profits Tax has been calculated at 17.5% (2005: 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 ("MH") status granted by the Singapore tax authority. The tax exemption applies to profits arising for a period of 10 years from 1 January 2001, subject to the fulfilment of certain criteria during the period.

Certain subsidiaries of the Group were exempted from PRC Income Taxes for two years starting from their first profit-making year, which is 2003, followed by a 50% reduction for the next three years.

#### 4. DIVIDENDS

	Year ended 31st December	
	2006 HK\$'000	2005 HK\$'000
<u>Dividend Paid</u>		
Interim dividend for 2006 of HK\$0.70 (2005: HK\$0.50) per share on 387,059,500 (2005: 385,268,500) shares	270,942	192,634
First special dividend for 2006 of HK\$0.75 (2005: HK\$0.20) per share on 387,059,500 (2005: 385,268,500) shares	290,294	77,054
Final dividend for 2005 of HK\$1.00 (2005: final dividend for 2004 of HK\$1.05) per share on 387,059,500 (2005: 385,268,500) shares	387,059	404,532
Second special dividend for 2005 of HK\$0.30 (2005: nil special dividend for 2004) per share on 387,059,500 shares	116,118	-
	<b>1,064,413</b>	<b>674,220</b>
<u>Dividend Proposed</u>		
Proposed final dividend for 2006 of HK\$1.00 (2005: HK\$1.00) per share on 388,839,000 (2005: 387,059,500) shares	388,839	387,059
Proposed second special dividend for 2006 of HK\$0.20 (2005: HK\$0.30) per share on 388,839,000 (2005: 387,059,500) shares	77,768	116,118
	<b>466,607</b>	<b>503,177</b>

The final dividend of HK\$1.00 (2005: HK\$1.00) and second special dividend of HK\$0.20 (2005: HK\$0.30) per share have been proposed by the directors and are subject to approval by the shareholders in forthcoming annual general meeting.

## 5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Year ended 31st December	
	2006	2005
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>1,149,477</b>	850,485
	<b>Number of shares (in thousand)</b>	
Weighted average number of shares for the purposes of basic earnings per share	<b>387,142</b>	385,352
Effect of dilutive potential shares from the Employee Share Incentive Scheme	<b>1,465</b>	1,450
Weighted average number of shares for the purposes of diluted earnings per share	<b>388,607</b>	386,802

## 6. TRADE RECEIVABLES

Included in trade and other receivables are trade receivables with the aging analysis as follows:

	At 31st December	
	2006	2005
	HK\$'000	HK\$'000
Not yet due	<b>571,481</b>	595,643
Overdue within 30 days	<b>154,736</b>	151,619
Overdue within 31 to 60 days	<b>74,330</b>	64,098
Overdue within 61 to 90 days	<b>36,227</b>	24,221
Overdue over 90 days	<b>50,228</b>	7,699
	<b>887,002</b>	843,280

The fair value of the Group's trade receivables at 31<sup>st</sup> December, 2006 was approximate to the corresponding carrying amount.



## 7. TRADE PAYABLES

Included in trade and other payables are trade payables with the aging analysis as follows:

	At 31st December	
	2006	2005
	HK\$'000	HK\$'000
Not yet due	290,238	191,659
Overdue within 30 days	119,702	82,442
Overdue within 31 to 60 days	53,421	39,330
Overdue within 61 to 90 days	4,815	1,384
Overdue over 90 days	7,190	217
	<b>475,366</b>	<b>315,032</b>

The fair value of the Group's trade payables at 31<sup>st</sup> December, 2006 was approximate to the corresponding carrying amount.

## REVIEW

The global semiconductor industry experienced solid growth in 2006, although the market somewhat weakened towards end of the year. Growth was primarily driven by consumer applications such as flat-panel displays, MP3 players and digital cameras. According to several leading industry analysts, the increase in sales of semiconductor devices in 2006 was in the range of 8 – 11%. As regards the semiconductor assembly and packaging equipment industry, the common view of the analysts is that it grew by 13 – 19% during the same period.

On the back of a good performance by the semiconductor industry in 2006, ASM had an exceptional year during which the Group set multiple new records. In fact, after a stellar turnover during the first half of 2006, we slightly bettered that performance in the second half, even in the face of some softening in the general market towards the end of the year. Both our equipment and leadframe businesses produced record turnovers, resulting in the Group attaining unprecedented levels of progress and profitability in many fields during the period.

Over the past few years, ASM has consistently outperformed its industry peers. We are pleased to have repeated this performance again in 2006, surpassing the estimated overall 13 – 19% growth in the assembly and packaging equipment industry with an increase of 25.1%. In doing so, we gained further market share and solidified our number one position in the global assembly and packaging equipment market, achieving a Group turnover of US\$587 million and net profit of HK\$1,149 million, both of which are new records for ASM. This represents 28.8% and 35.2% growth respectively over the previous year. Return on capital employed and on sales were 49.9% and 27.4%. Such a strong financial performance clearly reflects ASM's leadership position and the growing acceptance of ASM's products and services, which positions us well for the future. Our overall book-to-bill ratio was 1.0 for the year, representing net bookings over billings, a slight decrease year-on-year from the preceding year's record. Our ending order backlog as of 31<sup>st</sup> December, 2006 was US\$103.9 million.

ASM has built a solid business foundation based on diversified products serving broad application markets. Our financial performance in recent years has clearly reflected the success of this strategy. With equipment revenue of US\$461 million, equivalent to 78.6% of the Group's turnover, ASM was again the top player in its industry, keeping the premier position we have held since 2002. We widened the gap between ourselves and the no. 2 player to US\$179 million, representing a lead of 63.4% over our closest rival. Significantly, our leadframe revenue further increased its contribution to the Group's turnover, growing by 44.8%, largely as a result of a strong gain in market share. This highlights the success of our efforts to further enhance our market position in the leadframes business.

We have actually achieved strong growth for many of our products. In particular, our die bonders continue to make great strides in gaining acceptance and acquiring further market share; we have retained our position as the world's top supplier of die bonders in 2006. Our CSP equipment business has also experienced a quantum leap in revenue and is now of significant size, no doubt demonstrating market acceptance and its growth into an integral part of the Company's product offerings.

Our dual head gold wire bonder is making major inroads into its market segment, a good example of the successful implementation of our Blue Ocean strategy. We also continue to hold a leading position in copper wire bonding technology. In addition, while global demand for flip chip bonders is still small compared to wire bonders, our flip chip bonders have further penetrated key IDM customer markets during the past year.

Our encapsulation equipment business saw substantial growth in particularly the demand for "package-on-package" (PoP) molding technology and we are now recognized as a market leader in PoP molding solutions. The growth in demand and our developing strength in this field put us on the radar of many prospective customers and this helped increase our market base. We continue to be strong in the field of CMOS Image Sensor (CIS) assembly lines and equipment, which highlights the success of our "total solution" approach to marketing our products. Similarly, we have also seen greater acceptance of our total solutions offerings for the micro-SD cards application.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's shareholders' funds increased slightly to HK\$2,562,074,000 as at 31<sup>st</sup> December, 2006 (2005: HK\$2,393,534,000). As there were no long term borrowings, gearing of the Group was zero, the same as for the past seven years.

Although HK\$1,064.4 million was paid as dividends and HK\$208.7 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 31<sup>st</sup> December, 2006 was HK\$914,681,000 (2005: HK\$728,927,000). In fact, a good portion of the capital investments were funded by the current year's depreciation of HK\$168.4 million.

There was no bank borrowing as of 31<sup>st</sup> December, 2006. Current ratio was 2.84, with a debt-equity ratio of 36.1%. With no short-term needs and an on-going positive cash flow from organic growth operation, these figures permit ASM management to recommend a sustained high level of dividend to return excessive cash holdings to our shareholders. While account receivables have been tightly monitored during the year, with record billings there was an improvement to 71.1 days sales outstanding (2005: 88.2 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 strong emphasis on both recruiting and retaining high calibre employees, not only through competitive remuneration packages but also by committing ourselves to specialized yet demanding staff development 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 of 31<sup>st</sup> December, 2006, the total headcount of the Group worldwide was approximately 9,000 people.

## **PROSPECTS**

An improving job market in major countries and healthy economic growth going forward should contribute to stronger demands for semiconductor devices. There is no doubt that the demand for consumer electronic products continues to be the driver of growth in the semiconductor industry. ASM is well-positioned to take advantage of such consumer products-led growth as IC packaging is seen as a technology enabler for consumer applications. The semiconductor industry is forecast to grow by another 9 – 11% in 2007. Similar growth is projected for 2008.

After strong growth experienced in 2006, the global assembly and packaging equipment industry is projected to consolidate with at best single digit growth and possibly even a single digit contraction in 2007. However, strong growth of between 14 – 26% is projected by some industry analysts for 2008. This is a reflection of shorter industry cycles that have greatly reduced magnitudes of fluctuation and an overall positive trend leading to a steady growth in the industry up to and including 2009.

It is generally expected that the equipment industry will grow at a slower pace at the start of 2007, and it is anticipated that the first quarter may also be a softer period for ASM. However, the industry is expected to experience a turnaround and start to improve in the second quarter, and we will prepare ourselves accordingly to take advantage of such improvement. Overall, whilst we may not equal some of the new record levels set in 2006, we definitely expect in 2007 to be able to further build upon our strengths in preparation for future growth.

ASM's solid business success has always been built upon a number of sturdy supporting pillars. Strategically, we have an extensive marketing network that focuses on customers' packaging challenges. We have been responsive to the needs of the market, and have successfully managed to capture opportunities presented by strong demand. Our vertical integration strategy and strategic choice of low cost manufacturing locations have proven to be successful. And with continuous cost reduction efforts and a constant drive for manufacturing-orientated design, ASM is committed to offering customers innovative products with good value propositions.

By undertaking packaging development programs with customers we have been able to offer them value-added services on top of our role as a leading equipment supplier: solution-selling has become a powerful marketing tool in this knowledge-based economy. Providing customers with innovative, total packaging solutions based on ASM's equipment and leadframes to meet their ever-expanding new product requirements has proven to be our most effective key to unlock customers' doors; the use of our PoP solutions in marketing our molding systems is a good example. This unique business strategy truly differentiates ASM from all our competitors, enabling us to further expand our business

and to promote newly developed products. It has proven time and again to be useful in gaining market share as well as penetrating new markets.

When introducing new products, we emphasize product adjacency in order to achieve organic growth, ensuring that new models complement our existing product lines. We will continue to carry out our Blue Ocean strategy over the next few years by seeking to introduce new products for untapped and uncontested markets.

Leveraging our in-house enabling technologies, our product development efforts are focused on injecting higher performance and lower cost of manufacturing into our new generation of products, while simultaneously continuing to rejuvenate our current generation equipment to achieve significant performance gains. To sustain ASM's continued leadership position and to build resilience in a dynamic industry, we intend to launch exciting new generations of die, flip chip and gold wire bonders in 2007. For instance, new Multi-Chip Module (MCM) and Chip-on-Glass (COG) bonders will be introduced. A new state-of-the-art gold wire bonder will update our current wire bonders with innovative features and a faster bonding speed to propel us to the forefront of wire bonding technology, while at the same time offering unprecedented user-friendliness. And a new single-strip molding system will further complement our popular sectional molding system.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE**

The Group has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31<sup>st</sup> December, 2006 except the following deviation:

The Company had not yet adopted Code Provision A.4.1 which provides that Non-executive Directors should be appointed for a specific term, subject to re-election. All the Non-executive Directors are not appointed for specific term, but they are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years pursuant to the Articles of Association of the Company. As such, the Company considers that such provisions in the Articles of Association are sufficient to meet the underlying objective of the relevant provision of the CG Code.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The Group has adopted procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from all directors to confirm compliance with the Model Code during the year ended 31<sup>st</sup> December, 2006.

## **AUDIT COMMITTEE**

The audit committee is comprised of two Independent Non-executive Directors and one Non-executive Director who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group's financial statements for the year ended 31<sup>st</sup> December, 2006 in conjunction with the Company's auditors.

## **REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITORS**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31<sup>st</sup> December, 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Mr. Arthur H. del Prado (Chairman), Mr. Peter Lo Tsan Yin (Vice Chairman), Mr. Lee Wai Kwong, Mr. James Chow Chuen, Mr. Alan Fung Shu Kan and Mr. Eric Tang Koon Hung as Executive Directors, Mr. Patrick Lam See Pong (Honorary Chairman) and Mr. Arnold J.M. van der Ven as Non-executive Directors and Miss Orasa Livasiri and Mr. Robert Lee Shiu Hung as Independent Non-executive Directors.

On behalf of the Board  
Lee Wai Kwong  
Director

Hong Kong, 8<sup>th</sup> March, 2007

*Please also refer to the published version of this Announcement in **South China Morning Post**.*