



ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Announcement of 2004 Unaudited Results Six months Ended 30th June, 2004

ASM's Outstanding Performance in First Half 2004

- World's No. 1 in the assembly and packaging equipment industry
- Achieved record six-month turnover and profit
- Delivered 111.8% turnover increase and 221.7% profit growth as compared with the same period of the previous year

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\$2,280,710,000 for the six months ended 30th June, 2004, representing an increase of 111.8% as compared with HK\$1,076,926,000 for the same period of the previous year and 49.3% improvement over the turnover of HK\$1,527,897,000 of the preceding six-month period. The Group's consolidated profit after taxation for the six months is another new record amounting to HK\$613,233,000, which is 221.7% higher than the corresponding period in 2003 and 77.6% gain over the previous six-month period. Basic earnings per share for the half year period amounted to HK\$1.59 (2003: HK\$0.50).

DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK\$0.45 (2003: HK\$0.36) per share and a special dividend of HK\$0.55 per share. This is in line with our prudent policy, as stated in the past several financial result announcements, to return current excessive cash holdings to our shareholders while continuing to operate the Group with the optimum shareholders' funds. ASM intends to further its organic growth path in the near term through enlarging market share with its diversified, high performance products. There is no short term need for major cash outlay and the Group has also consistently managed to generate positive cash flow from operations in each of the past 15 years since its initial public offering (IPO) in late 1988.

The Register of Members will be closed from 17th August, 2004 to 24th August, 2004, both days inclusive. In order to qualify for the interim dividend and the special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share

Registrars, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 16th August, 2004. The interim dividend and the special dividend will be paid on or about 25th August, 2004.

FINANCIAL HIGHLIGHTS

		Six months ended 30th	
		June,	
		2004	2003
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	1	2,280,710	1,076,926
Cost of sales		<u>(1,264,496)</u>	<u>(624,781)</u>
Gross profit		1,016,214	452,145
Other operating income		8,481	3,770
Selling expenses		(156,605)	(100,268)
General and administrative expenses		(66,211)	(45,744)
Research and development expenses, net		<u>(142,447)</u>	<u>(102,056)</u>
Profit from operations		659,432	207,847
Finance costs		<u>(5)</u>	<u>(46)</u>
Profit before taxation		659,427	207,801
Taxation	3	<u>(46,194)</u>	<u>(17,206)</u>
Net profit for the period		<u>613,233</u>	<u>190,595</u>
Interim Dividends		172,561	137,999
Special Dividends		<u>210,909</u>	<u>0</u>
Total Dividends		<u>383,470</u>	<u>137,999</u>
Earnings per share	4		
— Basic		<u>HK\$1.59</u>	<u>HK\$0.50</u>
— Diluted		<u>HK\$1.59</u>	<u>HK\$0.50</u>

Notes:

1. Segment Information

Business segments

	Six months ended 30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Equipment	1,990,955	869,800
Leadframe	<u>289,755</u>	<u>207,126</u>
	<u>2,280,710</u>	<u>1,076,926</u>
Result		
Equipment	642,801	190,834
Leadframe	<u>13,944</u>	<u>14,715</u>
	<u>656,745</u>	<u>205,549</u>
Interest income	<u>2,687</u>	<u>2,298</u>
Profit from operations	<u>659,432</u>	<u>207,847</u>
Finance costs	<u>(5)</u>	<u>(46)</u>
Profit before taxation	<u>659,427</u>	<u>207,801</u>
Taxation	<u>(46,194)</u>	<u>(17,206)</u>
Net profit for the period	<u>613,233</u>	<u>190,595</u>

Geographical segments

	Turnover	
	Six months ended	
	30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Taiwan	527,954	185,382
Mainland China	432,003	202,642
Malaysia	290,538	122,499
Philippines	262,885	83,823
Korea	162,509	169,027
Hong Kong	154,006	53,804
Thailand	148,724	81,316
Singapore	112,358	82,964
United States	100,671	19,747
Europe	31,214	25,549
Indonesia	28,994	30,296
Japan	21,302	18,356
Others	7,552	1,521
	<u>2,280,710</u>	<u>1,076,926</u>

2. Depreciation

During the period, depreciation of HK\$117.3 million (HK\$75.9 million for the six months ended 30th June, 2003) was charged in respect of the Group's property, plant and equipment.

3. Taxation

	Six months ended	
	30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	44,687	16,934
Taxation in other jurisdictions	<u>4,612</u>	<u>1,109</u>
	49,299	18,043
Deferred taxation credit	<u>(3,105)</u>	<u>(837)</u>
	<u>46,194</u>	<u>17,206</u>

Hong Kong Profits Tax has been calculated at 17.5% (17.5% for the six months ended 30th June 2003) of the estimated assessable profit for the period.

Taxation for 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 fulfilment of certain criteria during the period.

The deferred taxation credit mainly relates to the tax effect of temporary difference attributable to difference of depreciation allowances for tax purposes and depreciation charged in the financial statements.

4. Earnings per share

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

	Six months ended	
	30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>613,233</u>	<u>190,595</u>
	Number of shares	
	(in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	384,998	383,332
Effect of dilutive potential ordinary shares from the Employee Share Incentive Scheme	<u>1,266</u>	<u>1,322</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>386,264</u>	<u>384,654</u>

REVIEW

Against a backdrop of healthy economic indicators, robust consumer spending, reasonable political stability and a historically positive USA election year, demands for electronic goods such as personal computers, cell phones, digital cameras and multi-media products have been very strong. The recovery of the semiconductor and its equipment industries which started in the latter part of 2003 has continued with significantly higher momentum. Assembly equipment to produce advanced packages like the stacked die and QFNs commonly found in new handheld products, and those related to state-of-the-art IC fabrication like fine pitch wire bonding and 300 mm wafer handling have become hot items; equipment delivery lead times are now back to normal levels. With higher market demand and larger capacity installed, many of our customers experienced record revenues during the 2nd quarter, despite the price erosion effect. Industry analysts have repeatedly upgraded their 2004 forecasts, raising the semiconductor and assembly equipment industry revenue growths to 26% and 71% respectively, according to the latest VLSI Research data in July 2004.

With steady and consistent gains in market share, especially in the die and wire bonder market segments, 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\$292.9 million and net profit of HK\$613.2 million during the past six months, representing a growth of 111.8% and 221.7% respectively as compared with the corresponding period of 2003. Both six-month revenues and net profit broke new ground in ASM corporate history, surpassing their previous peaks in 2000. Return on equity and on capital employed for the six months are 28.4%

and 30.5% respectively. In spite of our success in ramping up to record production output, strong order inflows during the past six months led to our ending order backlog as of 30th June, 2004 increasing to US\$130 million (US\$119 million as of 31st December, 2003).

This outstanding 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 and technologically advanced products. During the first half of 2004, sales attributable to our five largest customers combined were 33.6% of the total, with only one customer exceeding 10%, clear evidence of the success of our diversified market strategy. We continued to enjoy a wide geographical spread mirroring the investment climate of the industry, with Taiwan being our largest (23.1%) market, followed by Mainland China (18.9%). Shipments to China during this six-month period were US\$55.5 million. When compared with equivalent sales for the whole of the year 2003 (US\$53.3 million), it is already obvious this territory will attain another new record this year.

Our recent relocation to an integrated China factory and continued capacity expansion have resulted in higher leadframe output, with revenues matching the level of year 2000 during the first six months. Reflecting our industry pre-eminence and continuous gain in market share, our equipment sales were 13.3% higher than the past peak experienced in the 2nd half of 2000. As such, the revenue split became 87.3:12.7 (equipment:leadframes), indicative of strong capital investment by our customers during the past half year. Being recognized for ASM's technological leadership and product innovation, we were once again selected by Advanced Packaging magazine as the Winners of the 2004 Advanced Packaging Awards in both the Die Bonding and Encapsulation categories.

To contain our equipment lead time well within customer-acceptable limits and to deal with the complexity of our diversified products, we have been aggressively adding parts-fabrication CNC machines to boost output. Equipping the newly-acquired floor space in China and Hong Kong, enhancing our R&D capabilities and information technology infrastructure, and establishing our Malaysian leadframe plant (progressing as planned), HK\$136 million worth of assets were received during the first six months. It is now projected that we need to enlarge our 2004 capital investment budget to HK\$300 million (originally HK\$250 million) to cope with the acceleration in expanding business. In parallel, we have also beefed up our sales and service, production and product development staffs, reflecting our commitment to customer satisfaction.

Our customers' needs for continued lower assembly and packaging cost while pushing the technology envelope of wire bonding equipment to meet fine pitch challenges call for innovative solutions. After extensive in-house and field tests, we have launched our Twin Eagle wire bonder (35 microns capability) featuring two bonding heads, resulting in a productivity gain of 80–100% depending on applications. It requires only 30% more floor space than our Eagle 60 — the current model in high volume production — making our Twin Eagle the highest throughput and the best cost-of-ownership bonding machine in the world today. At the same time, our new model wire bonder, the Eagle 60 AP, capable of 30 microns linear pad pitch bonding and 10% faster than our Eagle 60, has been evaluated by several key customers with favorable feedback. These two new models of wire bonders are ready for volume shipment to customers during the 3rd quarter of 2004.

Concurrently, in the chip attachment process, we also tackled the smaller IC die market segment with a new die bonder 30% faster than our universal platform — a differentiated performance much appreciated by our customers. In addition to our flip chip bonder addressing the 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 processes.

While we have had to deal with a record production run rate and an increased work-in-progress of our new and existing products to meet prompt delivery demands, the enterprise resources planning (ERP) software widely implemented within ASM worldwide has proved to be an effective tool in streamlining our logistics, inventory and cash management. We managed to maintain our total inventory of HK\$557.6 million (HK\$529.5 million as of 31st December, 2003) well within limits, achieving an increased inventory turnover of 8.4 times, much better than previous years. The high receivables reflect increasingly stronger sales during the period, resulting in 76.3 days sales outstanding. Combining the effect of the change in operating capital with earnings from operations, we generated a free cash flow of HK\$578.5 million and a return on invested capital of 41.3% during the past six months.

After paying last year's final dividend of HK\$323.4 million in April and funding capital investment of HK\$136 million, due to strong earnings during the six-month period, net cash on hand as of 30th June, 2004 was at an all-time high of HK\$766.5 million. Our current ratio stands at 2.7, with zero long-term debt and bank borrowing, and a debt-equity ratio of only 40.4%. With no short-term needs and an on-going positive cash flow from organic growth operation, these figures permit ASM's management to recommend a sustained high level of dividend and a one-time special dividend at this stage to return the excessive cash holdings to our shareholders. As reported to the Hong Kong Stock Exchange in June, based on one of the resolutions passed at our last Annual General Meeting, management exercised the mandate to buy back 1,548,000 shares of ASM Pacific Technology for a total consideration of HK\$42.5 million, averaging HK\$27.44 per share.

PROSPECTS

With consumer spending outlook strong and increasing semiconductor content in various end products, most industry analysts (SIA, Dataquest, IC Insights, VLSI Research and WSTS) predict very strong double-digit growth (25–29%) for the semiconductor industry in 2004, to be followed by moderate growth in 2005 with divergent forecasts ranging from 4–23%. IC unit volume is expected to rise 15% in 2004 and 8–10% in 2005. To meet the constant challenges of higher performance, diversified functionalities, cost reduction and product miniaturization, more and more new 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; this trend dovetails precisely with ASM product offerings and our development roadmap.

For the assembly equipment market, the sudden surge in demand for capacity-related equipment that occurred in the first three months of the recovery has transformed into prudent purchases for capability and capacity expansion. While demands remain broad-based and across different application markets, capacity increases are now targeted to keep pace with unit growth. Most pundits (Dataquest, SEMI, VLSI Research) have upgraded their 2004 forecasts with very optimistic 63–71% increases and the outlook for 2005 is for moderate growth (divergent views of 2–17% growth among the three forecasting firms) sustaining a high level of activities. Furthermore, they believe that the market regions of China and Taiwan are expected to see the strongest investments.

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. As the market recovers to normal growth, the high

operating leverage effect has clearly worked positively for ASM, generating funds to support further research and development efforts as well as rewarding our loyal shareholders and employees.

Our launch of exciting new wire and die bonders (as announced 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 the recent years on encapsulation equipment, integrated test handlers and chip size (CSP) assembly equipment have laid a solid foundation for these products, permitting ASM to pursue future growth opportunities. Leading customers have shown their recognition of our long-term commitment to leadframes — as evident in our China and forthcoming Malaysian plants — and demonstrated enthusiasm to expand business with us. 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.

To reinforce our strategic partnership 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, copper wire bonding, QFN packaging, etc. Bonding on low k dielectric, fine line width, copper interconnect and thin wafers poses new challenges to our customers, and ASM has offered continued process enhancements to satisfy these demands. Recognizing the benefits of cycle time and smaller work-in-progress derived from factory automation, ASM has provided integrated systems for customers' high volume and small lot production, servicing the latter with low cost tooling and highly flexible machines. We realize our customers have an ongoing need to manage their precious assets more efficiently, and ASM is addressing this requirement with new equipment management software.

In addition to offering world-class products, ASM's innovative solution-selling strategy markedly differentiates us from all our competitors. These unparalleled value propositions to customers have proven effective time after time in unlocking doors not accessible by a standalone product field evaluation, enabling us to further expand our business.

With the 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 strong market environment. It is management's belief that ASM will continue to gain market share and out-perform our industry peers in 2004.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of the unaudited interim financial statements.

On behalf of the Board
Patrick Lam See Pong
Director

Hong Kong, 27th July, 2004

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