ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00522)

Announcement of 2005 Unaudited Results
Six months Ended 30th June, 2005

ASM's Outstanding Performance in First Half 2005

- World's No. 1 in the assembly and packaging equipment industry
- Widened the gap with No. 2 on a rolling twelve-month basis
- Achieved company's 6th highest EPS for six-month period amidst 1st quarter's industry trough

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 turnover amounting to HK$1,457,183,000 for the six months ended 30th June, 2005, representing a decrease of 36.1% as compared with HK$2,280,710,000 for the same period of the previous year and 5.9% reduction when compared with the turnover of HK$1,548,220,000 for the preceding six-month period. The Group's consolidated profit after taxation for the six months is HK$323,591,000, which is 47.2% lower than the corresponding period in 2004 and 16.9% smaller than the previous six-month period. Basic earnings per share (EPS) for the half year period amounted to HK$0.84 (2004: HK$1.59).

DIVIDEND

In view of the Company's strong liquidity and rising equity base, the Board of Directors has resolved to pay an interim dividend of HK$0.50 (2004: HK$0.45) per share and a special dividend of HK$0.20 (2004: 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 optimal shareholders' funds. Having established a solid foundation in the microelectronics market over the years, ASM intends to further its organic growth path in the near term by enlarging market share with its diversified, high performance products. There is no short term need for major cash outlay and the Group has consistently managed to generate significant positive cash flow from operations in the recent five years.

The Register of Members will be closed from 17th August, 2005 to 24th August, 2005, both days inclusive. In order to qualify for the interim and 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, 2005. The interim and special dividend will be paid on or about 29th August, 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**1,457,183**	2,280,710
Cost of sales		**(802,860)**	(1,264,496)
Gross profit		**654,323**	1,016,214
Other operating income		**13,077**	8,481
Selling expenses		**(138,812)**	(156,605)
General and administrative expenses		**(64,848)**	(66,211)
Research and development expenses, net		**(119,015)**	(142,447)
Profit from operations		**344,725**	659,432
Finance costs		**(3)**	(5)
Profit before taxation		**344,722**	659,427
Taxation	4	**(21,131)**	(46,194)
Profit for the period		**323,591**	613,233
Interim Dividend		**192,634**	172,561
Special Dividend		**77,054**	210,909
Total Dividends		**269,688**	383,470
Earnings per share	5		
— Basic		**HK$0.84**	HK$1.59
— Diluted		**HK$0.84**	HK$1.59

CONDENSED CONSOLIDATED BALANCE SHEET

	At 30th June, 2005 (Unaudited) *HK$'000*	At 31st December, 2004 (Audited) *HK$'000*
Non-current assets		
Property, plant and equipment	**793,088**	772,006
Prepaid lease payments	**9,143**	9,370
Deferred tax assets	**1,788**	1,999
	804,019	783,375
Current assets		
Inventories	**670,043**	554,830
Trade and other receivables	**836,730**	642,223
Prepaid lease payments	**446**	446
Bank balances and cash	**520,531**	763,359
	2,027,750	1,960,858
Current liabilities		
Trade and other payables	**601,853**	461,284
Taxation	**112,329**	103,099
	714,182	564,383
Net current assets	**1,313,568**	1,396,475
	2,117,587	2,179,850
Capital and reserve		
Share capital	**38,527**	38,527
Dividend reserve	**269,688**	404,532
Other reserves	**1,805,816**	1,734,406
Shareholders' funds	**2,114,031**	2,177,465
Non-current liabilities		
Deferred tax liabilities	**3,556**	2,385
	2,117,587	2,179,850

Notes:

1. Significant Changes in Accounting Policies

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following area that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based Payment

In the current period, the Group has applied HKFRS 2 "*Share-based Payment*" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the directors' and employees' share of the Company granted under the Employee Share Incentive Scheme (the "Scheme"). Prior to the application of HKFRS 2, the costs on the Scheme are recognised as expenses in the period in which the relevant directors' and employees' services are rendered and are calculated with reference to the nominal value of shares expected to be issued under the Scheme.

Following the adoption of HKFRS 2, the costs on the Scheme are calculated with reference to the fair value of shares at the date of grant, adjusted to take into account the terms and conditions upon which the shares are granted, and are amortised over the relevant vesting periods to the income statement.

The Group has applied HKFRS 2 to shares granted on or after 1st January, 2005. In relation to shares granted before 1st January, 2005, the Group has not applied HKFRS 2 to shares granted on or before 7th November, 2002 and shares granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. The Group had no share granted after 7th November, 2002 and had not yet vested on 1st January, 2005, and accordingly, no retrospective restatement is required.

However, the adoption of HKFRS 2 has a significant impact on the results of the Group for accounting periods beginning on 1st January, 2005. An amount of HK$26,018,000 (nil for the six months ended 30th June, 2004) representing the estimated fair value of shares granted in February 2005 under the Scheme was charged to the income statement during the period, with an corresponding credit to the equity.

2. Segment Information

Business segments

	Six months ended 30th June, 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Turnover		
Equipment	**1,173,650**	1,990,955
Leadframe	**283,533**	289,755
	1,457,183	2,280,710
Result		
Equipment	**301,406**	642,801
Leadframe	**35,644**	13,944
	337,050	656,745
Interest income	**7,675**	2,687
Profit from operations	**344,725**	659,432
Finance costs	**(3)**	(5)
Profit before taxation	**344,722**	659,427
Taxation	**(21,131)**	(46,194)
Profit for the period	**323,591**	613,233

Geographical segments

	Turnover Six months ended 30th June, 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Mainland China	**335,226**	432,003
Taiwan	**265,313**	527,954
Malaysia	**188,441**	290,538
Korea	**122,187**	162,509
Hong Kong	**118,974**	154,006
Thailand	**96,482**	148,724
Philippines	**93,198**	262,885
Europe	**75,151**	31,214
Singapore	**69,357**	112,358
United States	**62,911**	100,671
Japan	**17,985**	21,302
Indonesia	**9,683**	28,994
Others	**2,275**	7,552
	1,457,183	2,280,710

3. Depreciation

During the period, depreciation of HK$74.4 million (HK$117.3 million for the six months ended 30th June, 2004) was charged in respect of the Group's property, plant and equipment.

4. Taxation

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**15,254**	44,687
Taxation in other jurisdictions	**4,489**	4,612
	19,743	49,299
Deferred taxation charge (credit)	**1,388**	(3,105)
	21,131	46,194

Hong Kong Profits Tax has been calculated at 17.5% (17.5% for the six months ended 30th June, 2004) 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.

Certain subsidiaries of the Group operating in the People's Republic of China ("PRC") are eligible for certain tax holidays and concessions and were exempted from PRC Income Taxes during both periods.

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

5. Earnings per share

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

	Six months ended 30th June,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**323,591**	613,233
	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**385,269**	384,998
Effect of dilutive potential ordinary shares from the Employee Share Incentive Scheme	**1,263**	1,266
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**386,532**	386,264

REVIEW

After a strong market environment in the first half of 2004 and ASM achieving its record six-month turnover and profit as mentioned in our 2004 year-end announcement, the inflection point for assembly equipment demands appeared in the middle of the third quarter. The semiconductor assembly equipment market turned from across-the-board boom to selected purchases addressing specific capability and package requirements. During the fourth quarter, every company was anxiously waiting for Spring to come.

The few rush orders for capacity-related equipment highlighted in the Prospects section of our last announcement in February 2005 turned out to be the correct indicator. The assembly and packaging equipment industry has regained strength since March 2005, and ASM has experienced much stronger inflows of orders in the past few months. With billings reaching the low point (as compared with the recent eight quarters) in the first quarter of 2005, the industry recovery thus far has been in-line with most analysts' expectations.

In fact, there have been no major shift in economic indicators, consumer spending and political stability during the past two cycles. Demands for electronic goods such as personal computers, cell phones, digital cameras and multi-media products have been robust and rising in 2005. Consequently, the Semiconductor Industry Association (SIA) upgraded 2005 semiconductor revenue growth from a two percent drop to six percent increase in their spring forecast. Inventory adjustments by the end-product companies to normalize supply and demand at the front portion of the electronics food chain have unfortunately caused much bigger swings for equipment suppliers at the tail end of the bull whip. Being the largest supplier in its industry, ASM is not immune to such fluctuations even though our diversified products serving broad application markets have buffered some of the shocks.

Consistent with our results in recent years, ASM once again out-performed its industry peers and gained market share, maintaining its number one position in the global assembly and packaging equipment market and further widening the gap with the industry's number two player on a rolling twelve-month basis. We achieved a Group turnover of US$187.0 million and net profit of HK$323.6 million during the past six months. Return on capital employed and on sales were 16.3% and 23.1% respectively for the six-month period. With outputs catching up on demands during the second quarter, book to bill ratio for the first six months was 1.11 and our ending order backlog as of 30th June, 2005 was in excess of US$80 million (US$63 million as of 31st December 2004).

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, technologically advanced products. During the first half of 2005, sales attributable to our five largest customers combined were 27.9% of the total, with no customer exceeding 10%, clear evidence of the success of our diversified market strategy. We continued to enjoy a good geographical spread mirroring the investment climate of the industry, with Mainland China overtaking other countries to become our largest (23.0%) market, followed by Taiwan (18.2%).

Improved market demands coupled with capacity expansion and operational improvements in our China, Singapore and Malaysia leadframe factories resulted in record leadframe billings during the 2nd quarter. With steady progress in stamped and QFN etched frames, leadframe business represented 19.5% of the Group's turnover during the first six months of 2005 — in a period when capital investments by our customers were not so strong. The strategic realignment of our leadframe operation continued as planned, with our Malaysian plant in Johor Bahru, Malaysia now handling the complete etched frames post-plating operation and our newly installed plating lines undergoing customer qualification. When the transfer of all plating activities is completed by end of this year, the enlarged operation should enhance ASM's cost-competitiveness and etched frames output.

While still maintaining a healthy balance among all equipment products, the market recovery in the recent months translated into a higher demand for wire bonders. Our Twin Eagle — doubling the output of a single-head wire bonder and known for its unparalleled cost-of-ownership — and Eagle 60 AP — the first bonder in the world capable of 30μm linear pad pitch — both migrated to volume production and have been well-received by our customers. During the past few months, stacking of thin die and 300 mm. wafer requirements also opened up new opportunities for us to enlarge our die bonder customer base. We launched our highly flexible, low cost (for both the system and tooling) encapsulation system — Osprey — for today's high density frames. Combining our die bonder, dual-head wire bonder and this Osprey encapsulation system enable ASM to offer a flexible manufacturing system (FMS) for front-of-line assembly, something we demonstrated in the recent Semicon Singapore exhibition in May where we received favorable feedback from customers. Although lower in throughput than today's typical automolding system, the smaller mold in the Osprey system results in shorter order lead time and lower tooling cost, ideal for packaging development, pilot line and small-lot production. This unique FMS will thus complement ASM's IDEALine — a popular factory automation solution for CMOS image sensor assembly in the past two years — in serving high-volume production requirements. In recognition of ASM's technological leadership and product innovation, we were once again selected by Advanced Packaging magazine as the Winners of the 2005 Advanced Packaging Awards in the Wire Bonding, Encapsulation and Substrate Mounting categories.

To further enhance our market position in a competitive business environment, ASM's strategy has been to deliver the best value propositions to our customers. Satisfying the diversity of today's package types and applications requires multiple platforms for almost any assembly process, such as our Twin Eagle and Eagle 60 AP gold wire bonders optimizing cost-of-ownership and ultra fine pitch technology respectively. Similarly, we also offer multiple platforms in our die bonder, flip chip bonder, encapsulation system and test handler products. While we need to provide short delivery time to our customers for standard products, the combined effect of rising demands in the recent quarter and multiple platforms led to higher work-in-process and raw materials inventories as compared with six months ago when the market was weak. With more pipeline materials to address customer orders, our ending inventory as of 30th June, 2005 increased to HK$670.0 million, with an annualized inventory turn of 4.76 (2004: 7.06). The upward business trend in the past six months affected not only the inventory-turn ratio, but also the days-sales-outstanding which amounted to 96.4 days despite our regular collection efforts. Combining the increase in operating capital with earnings from operation, we still generated free cash flow of HK$126.3 million and a return on invested capital of 20.8% during the past six months.

After paying last year's final dividend of HK$404.5 million in April and funding capital investment of HK$95.8 million in the first half of 2005, due to strong positive cash flow during the six-month period, net cash on hand as of 30th June, 2005 was HK$520.5 million. Our current ratio stands at 2.8, with zero long-term debt or bank borrowing, and a debt-equity ratio of only 34.0%. 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 to return the excessive cash holdings to our shareholders.

PROSPECTS

The Semiconductor Industry Association (SIA) reported that sales of semiconductors for consumer applications in 2004 were for the first time greater than sales for corporate purposes. In future, the health of the chip sector will be more closely tied to macroeconomic conditions and consumer spending. Semiconductor content has been consistently rising as electronics end products continue to demand more functions and capabilities. Based on current market outlook, most industry analysts (SIA, WSTS, Dataquest, iSuppli, VLSI Research) project a moderate single-digit (5–6%) growth for the semiconductor industry in 2005, to be followed by higher growth rate close to 10% in 2006. IC unit volume is forecasted to have a compound annual growth rate (CAGR) of 9.31% over the 2004–2009 period, according to the 2005 Electronic Trend Publications.

To meet the constant challenges of higher performance, diversified functionalities, cost reduction and product miniaturization, especially for feature-rich hand-held products, more and more IC packages are being designed with finer line width, chip scale (QFN) and chip size (flip chip) form factors, stacked die, stacked package and system-in-package (SIP), necessitating the latest generation of assembly equipment. With last February as the assembly-equipment industry's turning point and the moderate rate of recovery shown in past months, most pundits (SEMI, Dataquest) expect the market to gain momentum with time and a negative growth for 2005 ranging from 16.5–26.4% to be followed by double-digit (15–30%) positive growth in the next two years.

Although it is more challenging to manage and develop multiple products serving diversified market segments, we have continued with this business strategy over the years to build a thriving company more resilient to industry fluctuation than our competitors. The lengthy battle for market leadership in a dynamic market environment naturally favours the one who possesses richer resources and a greater abundance of world-class products. In addition to having the highest revenue in the assembly and packaging equipment industry since 2002, we have persisted in our policy of spending 10% of our equipment turnover on research and development (R&D) and ignored short-term sales fluctuation. Our R&D spending has consistently risen over the last three years, reflecting our enlarged R&D talent pool (600 staff today) and new product commitments. As a result, ASM's 2004 R&D expenditure was the 2nd highest in the industry and 58% larger than our outlay in 2001. In contrast, R&D expenses of our leading competitors based on their local reporting currencies have consistently dwindled during the same three-year period, with their 2004 R&D expenditure shrinking to 42–81% of their own 2001 spending.

Management believes that our aggressive and consistent investments for the future in facilities, R&D and manpower developments will give us an important competitive advantage and yield a corresponding profitable return. The HK$200 million capital investment budgeted for 2005 will proceed as planned to further strengthen our R&D analytical equipment and information technology infrastructure, the rapid prototyping of parts to support our product development and equipping our new Malaysian plant with tooling and plating capabilities.

Leveraging on our technology in motion control and linear motors, we will be launching new models of aluminum wire bonder and discrete die bonder in the near future. To sustain ASM's two-decade leadership in the chip-on-board application market, our new generation aluminum wire bonder, scheduled for volume shipments in mid-2005, is designed to offer unrivalled cost-of-ownership and 20–30% higher throughput than its predecessor. Similarly, our next generation discrete die bonder, equipped with linear motors for its bondhead and capable of attaching 20,000 small die per hour, will be ready for field testing during the 2nd half year. In conjunction with the highly flexible Osprey encapsulation system (mentioned in our Review section), we have been consistently rejuvenating our product offerings and widened their scope to cultivate new openings in the IC packaging market.

The key to reinforcing our strategic partnerships with customers lies in our ability to provide them with integrated business solutions built on our world-class products. As our customers address new challenges such as bonding on low k dielectric and on top of active circuits, copper wire bonding and thin wafers, they appreciate ASM's continued process enhancements to answer their needs. Supporting our clients with factory automation and packaging development using ASM equipment and leadframes, such as image sensor assembly, QFN packaging, power LED, RFID, smart card, stacked package (package-on-package PoP), etc., we are offering them unparalleled value propositions. Our new equipment management software assists customers to control their precious assets more efficiently, providing recipe downloading, tracking machine performance and progress monitoring at remote sites. This innovative solution-selling strategy markedly differentiates ASM from all our competitors, increasing market penetration and enabling us to further expand our business.

With a wealth of technologies and managerial talents accumulated over the years, a track record of successful execution of our customer-centered business strategy, our industry's most efficient cost structure and its broadest range of product offerings, ASM is well-positioned to compete in the market place. It is Management's belief that, amidst an improving market, ASM will continue to out-perform our industry peers and sustain our premier position in 2005.

CORPORATE GOVERNANCE

The Group has adopted all of the Code Provisions in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") except the following deviations:

1. The Board of Directors of the Company is in the process of defining the composition and terms of reference of the Remuneration Committee. It is expected that such process will be completed around early September 2005 where a board meeting is scheduled.
2. The Group recently released a memorandum to all of its employees to provide guidelines and procedures in respect of their dealings in the shares of the Company.
3. The Board of Directors recently completed the schedule of matters specially reserved to the Board for its decision.
4. All of the Independent Non-executive Directors are not appointed for specific term but are subject to retirement and rotation and re-election at the Company's AGM.

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.

AUDIT COMMITTEE

The audit committee is comprised of three independent non-executive directors 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 unaudited condensed consolidated financial statements for the six months ended 30th June, 2005 in conjunction with the Company's external auditors.

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

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

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises 3 Independent Non-executive Directors, namely Miss Orasa Livasiri, Mr Eric Tang Koon Hung, Mr Robert Lee Shiu Hung, and 3 Executive Directors, Mr Arthur H. del Prado (Chairman), Mr Patrick Lam See Pong and Mr Alan Fung Shu Kan.

On behalf of the Board
Patrick Lam See Pong
Director

Hong Kong, 26th July, 2005

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