ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2005 AUDITED RESULTS
YEAR ENDED 31ST DECEMBER, 2005

ASM's Outstanding Performance in Year 2005

- Retained the world's No. 1 position in the assembly and packaging equipment industry
- 3rd best year in financial performance, with earnings in excess of HK$850 million
- Record leadframe turnover achieving 16.8% revenue growth and US$50 million sales during the 2nd half 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 turnover amounting to HK$3,536,855,000 in the fiscal year ended 31st December, 2005, representing a decrease of 7.6% as compared with HK$3,828,930,000 for the previous year. The Group's consolidated profit for the year is HK$850,485,000, which is 15.2% lower than the previous year's consolidated profit of HK$1,002,595,000. Basic earnings per share for the year amounted to HK$2.21 (2004: HK$2.61).

DIVIDEND

An interim dividend of HK$0.50 (2004: HK$0.45) per share and first special dividend of HK$0.20 per share were paid in August 2005. 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 nine 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 (2004: HK$1.05) per share and HK$0.30 per share respectively payable on or around 28th April, 2006, making a total dividend payment of HK$2.00 (2004: HK$2.05) per share for the year ended 31st December, 2005, inclusive of HK$0.50 per share of special dividend. This translates into a 90.9% 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 13th April, 2006 to 24th April, 2006, 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 12th April, 2006. The proposed final and second special dividend will be paid on or about 28th April, 2006.

CONSOLIDATED INCOME STATEMENT

		Year ended 31st December	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**3,536,855**	3,828,930
Cost of sales		**(1,926,077)**	(2,097,617)
Gross profit		**1,610,778**	1,731,313
Other income		**21,283**	9,278
Selling expenses		**(316,950)**	(291,733)
General and administrative expenses		**(143,534)**	(123,876)
Research and development expenses, net		**(267,638)**	(262,585)
Finance costs		**(15)**	(15)
Profit before taxation		**903,924**	1,062,382
Income tax expense	4	**(53,439)**	(59,787)
Profit for the year		**850,485**	1,002,595
Dividends	5	**772,865**	788,002
Earnings per share	6		
— Basic		**HK$2.21**	HK$2.61
— Diluted		**HK$2.20**	HK$2.60

CONSOLIDATED BALANCE SHEET

	Notes	At 31st December **2005** *HK$'000*	2004 *HK$'000*
Non-current assets			
Property, plant and equipment		**808,030**	772,006
Prepaid lease payments		**8,951**	9,370
Deferred tax assets		**118**	1,999
		817,099	783,375
Current assets			
Inventories		**609,345**	554,830
Trade and other receivables	7	**892,255**	642,223
Prepaid lease payments		**448**	446
Bank balances and cash		**728,927**	763,359
		2,230,975	1,960,858
Current liabilities			
Trade and other payables	8	**585,020**	461,284
Taxation		**66,101**	103,099
Notes payable to bank		**462**	—
		651,583	564,383
Net current assets		**1,579,392**	1,396,475
		2,396,491	2,179,850
Capital and reserves			
Share capital		**38,706**	38,527
Dividend reserve		**503,177**	404,532
Other reserves		**1,851,651**	1,734,406
Equity attributable to equity holders of the parent		**2,393,534**	2,177,465
Non-current liabilities			
Deferred tax liabilities		**2,957**	2,385
		2,396,491	2,179,850

Notes:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas 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 year, the Group has applied HKFRS 2 "Share-based Payment" ("HKFRS 2") 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 fair value of the shares of the Company granted to the directors and employees under the Employee Share Incentive Scheme (the "Scheme"), which are calculated with reference to the market value of shares at the date of grant, over the vesting period. Prior to the application of HKFRS 2, the costs on the Scheme are recognised as expenses with reference to the nominal value of shares 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 period 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 vested before 1st January, 2005 in accordance with the relevant transitional provisions. The Group had no shares 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 had a significant impact on the results of operations and financial position of the Group for accounting periods beginning on 1st January, 2005. An amount of HK$56,954,000 representing the estimated fair value of shares granted in February 2005 under the Scheme was charged to the income statement during the year, with an corresponding increase in share capital of HK$179,000 and other reserve of HK$56,775,000.

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 and HKAS 39 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases" ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively. The unamortised prepaid lease payment for property interest in land has been separately shown in the consolidated balance sheet.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HK (IFRIC) — INT 4	Determining whether an arrangement contains a lease [2]
HK (IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK (IFRIC) — INT 6	Liabilities arising from participating in a specific market, — waste electrical and electronic equipment [3]

HK (IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st January, 2006.

[3] Effective for annual periods beginning on or after 1st December, 2005.

[4] Effective for annual periods beginning on or after 1st March, 2006.

2. SEGMENT INFORMATION

Segment turnover and results

By business segments

	Year ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Equipment	**2,864,384**	3,252,042
Leadframe	**672,471**	576,888
	3,536,855	3,828,930
Result		
Equipment	**779,358**	992,139
Leadframe	**109,556**	62,335
	888,914	1,054,474
Interest income	**15,025**	7,923
Finance costs	**(15)**	(15)
Profit before taxation	**903,924**	1,062,382
Income tax expense	**(53,439)**	(59,787)
Profit for the year	**850,485**	1,002,595

By geographical segments

	Turnover Year ended 31st December		Profit before taxation Year ended 31st December	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
a. Location of operation				
People's Republic of China ("PRC"), including Hong Kong and Mainland China	**1,859,197**	1,992,532	**508,725**	549,981
Singapore and Malaysia	**1,677,658**	1,836,398	**380,189**	504,493
	3,536,855	3,828,930	**888,914**	1,054,474
Interest income			**15,025**	7,923
Finance costs			**(15)**	(15)
Profit before taxation			**903,924**	1,062,382

	Turnover Year ended 31st December **2005** ***HK$'000***	 2004 *HK$'000*
b. Location of market		
Mainland China	**774,972**	742,272
Taiwan	**742,304**	850,975
Malaysia	**445,371**	539,390
Korea	**322,805**	222,670
Hong Kong	**256,515**	281,008
Philippines	**255,488**	335,571
Thailand	**246,546**	280,609
Singapore	**150,068**	197,768
United States of America and Latin America	**147,741**	204,795
Europe	**107,325**	66,302
Japan	**45,790**	55,445
Others	**41,930**	52,125
	3,536,855	3,828,930

3. DEPRECIATION

During the year, depreciation of HK$154.4 million (2004: HK$182.1 million) was charged in respect of the Group's property, plant and equipment.

4. INCOME TAX EXPENSE

	Year ended 31st December **2005** ***HK$'000***	 2004 *HK$'000*
Current tax:		
Hong Kong	**44,334**	61,347
Other jurisdictions	**7,695**	7,016
	52,029	68,363
Under (over) provision in prior years:		
Hong Kong	**2**	(86)
Other jurisdictions	**(1,061)**	(2,028)
	(1,059)	(2,114)
Deferred tax charge (credit)		
Current year	**2,469**	(6,462)
	53,439	59,787

Hong Kong Profits Tax has been calculated at 17.5% (2004: 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 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.

5. DIVIDENDS

	Year ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.50 (2004: HK$0.45) per share on 385,268,500 (2004: 383,470,000) shares	**192,634**	172,561
First special dividend paid of HK$0.20 (2004: HK$0.55) per share on 385,268,500 (2004: 383,470,000) shares	**77,054**	210,909
Proposed final dividend of HK$1.00 (2004: HK$1.05) per share on 387,059,500 (2004: 385,268,500) shares	**387,059**	404,532
Proposed second special dividend of HK$0.30 (2004: nil) per share on 387,059,500 shares	**116,118**	—
	772,865	788,002

The final dividend of HK$1.00 (2004: HK$1.05) and second special dividend of HK$0.30 (2004: nil) per share have been proposed by the directors and are subject to approval by the shareholders in general meeting.

6. EARNINGS PER SHARE

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

	Year ended 31st December	
	2005	2004
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**850,485**	1,002,595
	Number of shares (in thousand)	
Weighted average number of shares for the purpose of basic earnings per share	**385,352**	384,313
Effect of dilutive potential shares from the Employee Share Incentive Scheme	**1,450**	1,451
Weighted average number of shares for the purpose of diluted earnings per share	**386,802**	385,764

7. TRADE RECEIVABLES

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

	At 31st December	
	2005	2004
	HK$'000	*HK$'000*
Not yet due	**595,643**	380,045
Overdue within 30 days	**151,619**	132,935
Overdue within 31 to 60 days	**64,098**	56,985
Overdue within 61 to 90 days	**24,221**	19,331
Overdue over 90 days	**7,699**	7,868
	843,280	597,164

The fair value of the Group's trade receivables at 31st December, 2005 was approximate to the corresponding carrying amounts.

8. TRADE PAYABLES

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

	At 31st December	
	2005	2004
	HK$'000	*HK$'000*
Not yet due	**191,659**	93,201
Overdue within 30 days	**82,442**	55,543
Overdue within 31 to 60 days	**39,330**	39,275
Overdue within 61 to 90 days	**1,384**	5,334
Overdue over 90 days	**217**	95
	315,032	193,448

The fair value of the Group's trade payables at 31st December, 2005 was approximate to the corresponding carrying amounts.

REVIEW

Despite record energy prices and a series of natural disasters, the buoyant world economy and political stability have resulted in fairly strong consumer spending, especially for devices like cell phones, digital cameras, MP3 music players and digital televisions. The personal computer segment, which has the largest appetite for semiconductors, remained strong. As a result, worldwide demand for semiconductors increased in all end markets over the last twelve months. When the industry recovered and strengthened, most pundits revised their forecasts upward in the middle of the year. According to several leading industry analysts like SIA, Dataquest and VLSI Research, global semiconductor sales jumped 6.8–7.7% in 2005.

After experiencing growth in excess of 40% in 2004 and starting off the year from the trough of the business cycle, every major player in the semiconductor assembly and packaging equipment industry experienced negative growth in 2005. While the inflection point took place in March and inflows of orders strengthened over the months, major purchases of capacity-related equipment during the second-half could not offset the previous soft period. According to recent data released by SEMI, VLSI Research and Dataquest, the global assembly equipment market shrank by 11–19% as compared with 2004, in line with their projection of double-digit decline made a year ago.

Over the last few years, ASM has consistently outperformed its industry peers and this year was no different: we gained market share and maintained our number one position in the global assembly and packaging equipment market, achieving a Group turnover of US$454.9 million and net profit of HK$850.5 million. Both are ASM's third highest in history, although a minor reduction of 7.6% and 15.2% respectively as compared with 2004. Return on capital employed and on sales were 37.8% and 25.1% respectively, once again our third best on record. In a year of recovery with sequential improvements in quarterly bookings and billings, book-to-bill ratio was 1.09 for the year and our ending order backlog as of 31st December, 2005 grew to US$102 million (US$63 million as of 31st December, 2004).

In 2005, sales attributable to our five largest customers combined were 28.3% of the total, with no customer exceeding 10%, further evidence of the continuing success of our diversified market strategy. We also enjoyed a good geographical spread mirroring the investment climate of the industry, with China becoming our largest (21.9%) market, swopping positions with last year's leader Taiwan (21.0%) for the first time. Shipments of US$99.7 million to the former created another new record for that territory.

Over the years, ASM has built a solid business foundation based on diversified products serving broad application markets. Recent years' financial performances have clearly reflected the growing acceptance of our products by a larger pool of customers. With equipment revenue of US$368.4 million, equivalent to 81.0% of the Group's turnover in 2005, ASM was the top player in its industry, a premier position we have held since 2002. We maintained a gap of US$75 million between ourselves and our competitors, representing 25% delta as compared with our closest rival. Unfortunately we could not avoid the general industry setback, and our equipment business declined slightly by 11.9% over the last twelve months.

Our leadframe business made good progress last year. Improved market demands coupled with capacity expansion and operational improvements in our China, Singapore and Malaysian plants resulted in 16.8% growth of our leadframe business to US$86.5 million in 2005, representing our record leadframe revenue and 19.0% of the Group's turnover. Both our stamped and QFN etched frames made substantial inroads in target markets, growing faster than the leadframe industry as a whole which increased by 1.7% last year according to SEMI's November 2005 report. Clearly the strategic realignment of our leadframe operation has yielded its dividends. While the transfer of all etched frames plating activities to Malaysia has been slower than expected due to the lengthy customer qualification process, the enlarged operation, when completed during the first half of 2006, should further enhance ASM's cost-competitiveness and output of QFN frames.

The ever-increasing demands of end-users mean that tech companies are continually driven to deliver solutions in response. Our customers' unrelenting needs for ever lower assembly and packaging costs, new package types like QFN, stacked die, stacked package, flip chip and system-in-package, and the ceaseless push of the technology envelope on fine pitch wire bonding, thin die attachment and ultra thin molded packages necessitate innovative solutions and strong R&D commitments from equipment suppliers.

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 require multiple platforms for almost every 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, the launching last year of our ultra high speed I.C. die bonder catering for smaller die sizes complemented our standard platform in wafer size and throughput capabilities. The introduction of our Osprey molding system in mid-2005 for high density matrix substrates set a new benchmark for tooling cost and order leadtime, highly desirable for improving the asset utilization of the backend assembly process. Equipped with high performance linear motors, our new model of aluminum wire bonder that migrated to volume production last year not only solidified ASM's two-decade leadership in the chip-on-board application market, but offered customers a good solution for finer pitch, multi-die and high throughput requirements. 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$267.6 million last year (2004: HK$262.6 million), representing 9.3% of our current year's equipment sales.

While we had to deal with a much wider range of products than in the past and production run rates at the end of the year were much higher than the previous year, we continued to streamline our working capital management with positive results. Last year we achieved an inventory turnover of 6.08 times (2004: 7.06 times), with an ending inventory of HK$609.3 million to deal with the much higher revenue. Although capital investments amounting to HK$194.8 million were made in 2005, our sound working capital management resulted in a free cash flow of HK$619.7 million (2004: HK$957.6 million) and a return on invested capital of 55.1% (2004: 67.2%) last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's shareholders' funds increased slightly to HK$2,393,534,000 as at 31st December, 2005 (2004: HK$2,177,465,000). As there were no long term borrowings, gearing of the Group was zero, the same as for the past six years.

Although HK$674.2 million was paid as dividends and HK$194.8 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, 2005 was HK$728,927,000 (2004: HK$763,359,000). In fact, a good portion of the capital investments were funded by the current year's depreciation of HK$154.4 million.

There was no bank borrowing as of 31st December, 2005. Current ratio was 3.42, and a debt-equity ratio of 27.3%. 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, due to highest turnover in the last quarter of the year, it resulted in 88.2 days sales outstanding (2004: 57.0 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 31st December, 2005, the total headcount of the Group worldwide was approximately 7,800 people.

PROSPECTS

The Semiconductor Industry Association (SIA) reported that sales of semiconductors for consumer applications have since 2004 exceeded that 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 (6.7–8.0%) growth for the semiconductor industry in 2006, to be followed by higher growth rate close to 10% in 2007. 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 Publication.

The constant challenges of higher performance, diversified functionalities, cost reduction and product miniaturization, especially for feature-rich hand-held products, mean that 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 (PoP) and system-in-package (SiP), requiring the latest generation of assembly equipment. For the assembly equipment market, the rate of change this year will depend on whether the market can sustain the strong momentum of the first two quarters into the second half of 2006. While all pundits project a positive growth for 2006, their numbers are somewhat divergent at this point ranging from 3.6–22.1% (VLSI Research 3.6%, SEMI 9.0%, Dataquest 22.1%).

Managing and developing multiple products, especially to serve diversified market segments, is more challenging than a narrowly focused approach. Nevertheless, we have continued with this business strategy over the years to build a thriving company more resilient to inevitable industry fluctuation than our competitors. Our persistent, simultaneous pursuit of differentiation and low cost have resulted in world-class products whose value propositions are unmatched by our rivals. In addition to our leadership position in the die and wire bonder 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 has laid a solid foundation for future growth, empowering ASM to aggressively pursue new market opportunities. After realigning our cost structure and expanding production capacity, our leadframe business is well-poised for further gain in market share. Leading customers have shown their recognition of ASM's leadframe manufacturing capabilities and our long-term commitment to this business, and demonstrated their intention to expand business with us.

Gaining important competitive advantages — and corresponding profitable returns — requires aggressive and consistent investments for the future in R&D, manpower development and facilities. This is precisely the strategy ASM has been pursuing for many years. While all our major competitors have consistently reduced their R&D spending in recent times due to profit squeeze, our R&D expenditures and our talent pool have risen year after year. We have maintained our policy of spending 10% of equipment turnover on research and development (R&D) and ignored short-term sales fluctuation. Similarly, we continue to budget annually substantial capital investment to strengthen our R&D analytical equipment, information technology infrastructure, fabricated parts production capacity and the enhancement of manufacturing capabilities and capacity of our leadframe plants. HK$200 million has been planned for 2006.

Leveraging on our in-house enabling technologies, new product development efforts are centered around a continued rejuvenation of our die and wire bonders, encapsulation system, CSP singulation system and integrated test handler, simultaneously injecting higher performance and lower cost of manufacturing into the new products. We have also organized R&D teams to address the multi-chip die bonding and chip-on-glass (COG) flip chip market segments — applications that our human resources could not cope with in the past.

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 tool to unlock customer doors. This unique business strategy truly differentiates ASM from all our competitors, enabling us to further expand our business and promote newly developed products.

Over the years we have built up a wealth of technologies and human talent within ASM. Our track record of successful execution of our customer-centered business strategy speaks for itself, and coupled with our industry's most efficient cost structure and our wide range of product offerings, ASM is well-positioned to compete in the global arena. In any dynamic market environment, the player with richer resources and more competitive products always has the advantage. As such it is management's belief that ASM will continue to outperform our industry peers and maintain our leadership position in the foreseeable future.

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 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 Chairman of the Board of Directors was not in Hong Kong at the time when the last annual general meeting was held on 24th April, 2005, he therefore did not attend that meeting. However, the Chairman of the Audit Committee has attended that annual general meeting and she was available to answer the questions raised thereat.

2. 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 independent non-executive Directors are not appointed for specific term, although in practice they are subject to retirement and rotation and re-election at the Company's AGM, and therefore the Company has not actually acted in breach of this Code Provision A.4.1.

3. Article 96 of the articles of association of the Company ("Articles") provides, inter alia, that the Managing Director shall not be subject to rotation at the annual general meeting of the Company. The Company had not yet adopted Code Provision A.4.2 which provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Therefore, Article 96 deviates from Code Provision A.4.2 but since the Company's Managing Director is also an Executive Director, in practice he has also been subject to rotation according to the Company's Articles and therefore the Company has not actually acted in breach of this Code Provision A.4.2.

4. Article 117 of the Articles provides, inter alia, that the Director appointed for casual vacancy shall be subject to election at the next following annual general meeting of the Company. The Company had not yet adopted Code Provision A.4.2 which provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Therefore, Article 117 deviates from Code Provision A.4.2 but since no such casual vacancy has occurred during the financial year 2005, in practice, the Company has not actually acted in breach of this Code Provision A.4.2.

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 31st December, 2005.

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 financial statements for the year ended 31st December, 2005 in conjunction with the Company's auditors.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2005 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 of Directors of the Company comprises three Independent Non-executive Directors: Miss Orasa Livasiri, Mr Eric Tang Koon Hung, Mr Robert Lee Shiu Hung and three 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, 21st February, 2006

Please also refer to the published version of this announcement in ***South China Morning Port.***