ASM

ASM PACIFIC TECHNOLOGY LIMITED

2001 Annual Report and Accounts

CONTENTS

FLYING HIGH. AGAIN.

For the second time in three years, Semiconductor International has awarded ASM Pacific Technology Ltd the prestigious Editors' Choice Best Product Award. This time the Editors selected ASMPT's AB339 Eagle thermosonic gold wire ball bonder because of its technology and productivity enhancements.

The Editors' Choice Best Product Award is presented annually in December by Semiconductor International magazine to recognize companies that exhibit semiconductor manufacturing excellence. It differs from other awards in that the products are nominated by actual customers and not by the manufacturers or distributors. Input from multiple users for each product is obtained to verify that each has successfully shown superior performance in semiconductor manufacturing.

ASM

PRODUCT EXCELLENCE

MARKET LEADERSHIP

FINANCIAL STRENGTHS

SOLID TRACK-RECORD

DIRECTORS

Arthur H. del Prado

Lam See Pong, Patrick

Fung Shu Kan, Alan

Orasa Livasiri

Paulus Cornelis van den Hoek

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank

Citibank

UFJ Bank Limited

AUDITORS

Deloitte Touche Tohmatsu

26/F Wing On Centre

111 Connaught Road Central

Hong Kong

SECRETARY

Lam See Pong, Patrick

REGISTERED OFFICE

Caledonian House

George Town

Grand Cayman

Cayman Islands

PRINCIPAL PLACE OF BUSINESS

12/F Watson Centre

16-22 Kung Yip Street

Kwai Chung, New Territories

Hong Kong

SHARE REGISTRARS AND BRANCH REGISTER OFFICE

Secretaries Ltd

5/F Wing On Centre

111 Connaught Road Central

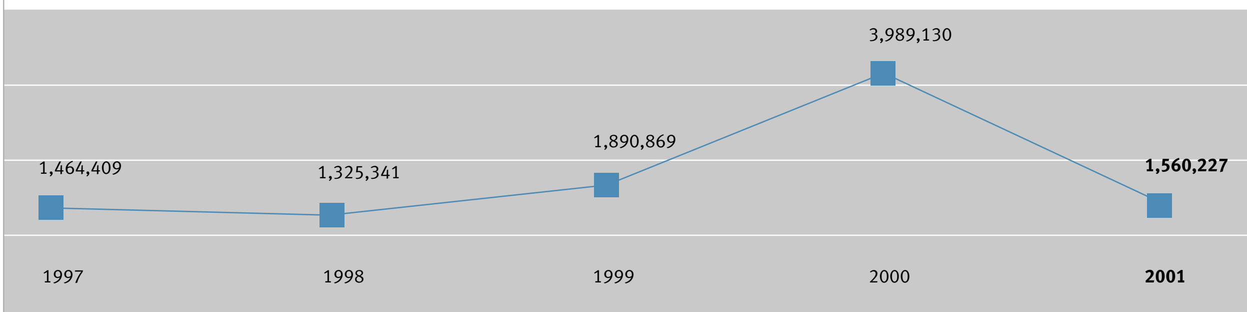
Hong Kong

FINANCIAL HIGHLIGHTS

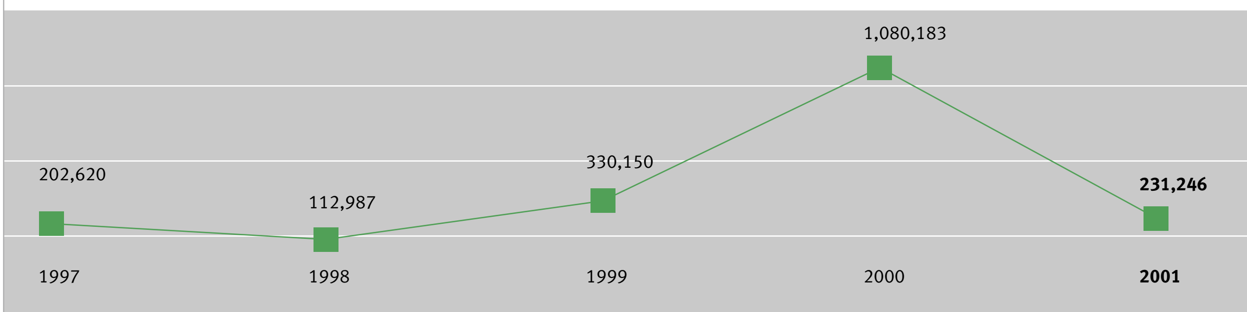
For the year ended 31 December 2001

	2001 **HK$'000**	2000 HK$'000
Turnover	**1,560,227**	3,989,130
Cost of sales	**(930,038)**	(2,171,732)
Gross profit	**630,189**	1,817,398
Other revenue	**28,156**	32,519
Selling expenses	**(138,720)**	(281,564)
General and administrative expenses	**(103,944)**	(170,520)
Research and development expenses, net	**(166,400)**	(219,486)
Profit from operations	**249,281**	1,178,347
Finance costs	**(155)**	(3,132)
Profit before taxation	**249,126**	1,175,215
Taxation	**(17,880)**	(95,032)
Net profit for the year	**231,246**	1,080,183
Dividends	**380,926**	436,509
Earnings per share — Basic	**HK$0.61**	HK$2.86
— Diluted	**HK$0.61**	HK$2.85

TURNOVER (HK$'000)



NET PROFIT (HK$'000)



RESULTS

We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved turnover amounting to HK$1,560,227,000 in the fiscal year ended 31 December 2001, representing a decrease of 60.9% as compared with HK$3,989,130,000 for the previous year. The Group's consolidated net profit after tax for the year is HK$231,246,000, which is also 78.6% less than the previous year's net profit of HK$1,080,183,000. Basic earnings per share for the year amounted to HK$0.61 (2000: HK$2.86).

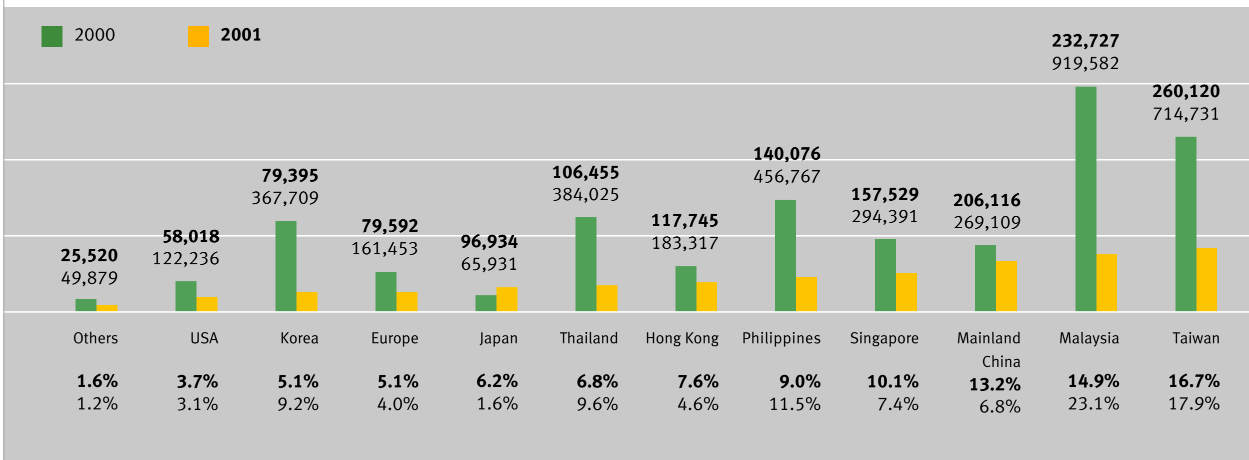
DIVIDEND

An interim dividend of HK$0.36 (2000: HK$0.30) per share was paid in August 2001. Having established a solid foundation in the microelectronics market, the Group intends to further its organic growth path in the near term. With no short term need for major cash outlay and in view of our strong liquidity and rising equity base, the Board of Directors have decided to recommend a final dividend of HK$0.64 (2000: HK$0.85) per share payable on or around 23 April 2002, making a total payment of HK$1.00 (2000: HK$1.15) per share for the year ended 31 December 2001. This translates into a 62.3% dividend payout ratio for the combined 2000-2001 periods, and represents a prudent decision to return current excessive cash holdings to our shareholders while continuing to operate the Group with the optimum shareholder fund.

REVIEW

In spite of the ongoing harsh business environment in the semi-conductor industry, ASM, alone among the leading players in its space, remained profitable in 2001 although with a reduced turnover of US$200 million. Return on capital employed and on sales were 13.5% and 14.6% respectively. This was largely due to the solid foundation laid over the years by the diversification of our product and application markets, an efficient cost structure and successful introductions of new product lines. In 2001 sales attributable to our five largest customers combined were less than 30% of our total, evidence of our successful "diversified market" strategy.

TURNOVER BY GEOGRAPHICAL LOCATION (HK$'000)



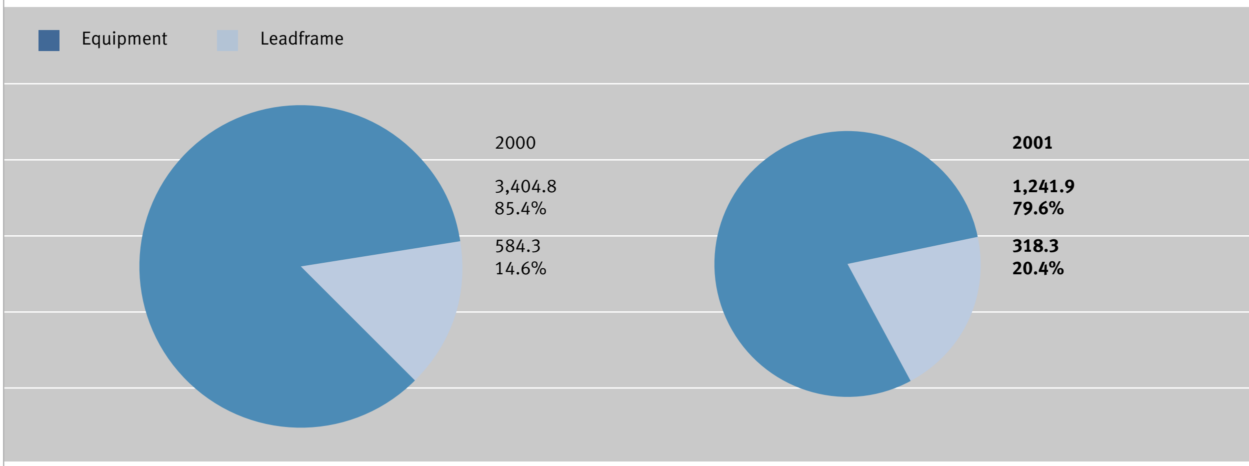
REVIEW (CONTINUED)

Still, 2001 was a difficult year for the electronics industry. Every sector of its supply chain was deeply affected. Started by the correction of excessive inventories amassed in year 2000, accelerated by the slowing world economy and the events on 11 September, the slowdown has become the fastest and steepest downturn in the history of the semiconductor industry. Analysts estimate there was a 20% decline in IC unit volume and around 32% drop in revenue (SIA, IC Insights, VLSI Research and WSTS). Capital investment, especially for IC assembly equipment, came to a screeching halt in the first quarter. According to data published by our leading bonder competitors and SEAJ, their assembly equipment turnover dropped by more than 70% as compared with the previous year.

Naturally ASM was not immune to such a major industry fluctuation. In 2001 we outperformed the assembly equipment industry leader in revenue change and surpassed their sales during the first quarter, but our equipment revenue which ranks 2nd in the world was still down by 63.5% as compared with the previous year. On hand order backlog, which stood at US$120 million at the beginning of the year, was reduced to just over US$20 million as of 31 December 2001, due to weak inflows and some cancellations during the year.

However, an industry slowdown represents the best window of opportunity to broaden our customer base and expand sales to existing customers with our new products. As happened during the 1998 slowdown, the soft period is giving ASM the chance to cultivate new customers and gain market share. After many months of extensive field evaluations based on our AB339 Eagle demonstration machines, we received initial orders from four new customers during the 4th quarter, based in Taiwan, Singapore and Indonesia. The machines' superior process capabilities, throughput and stability, as well as ASM's technical support, enabled us to capture these customers who use the AB339 Eagle wire bonders for state-of-the-art 50-60 microns pad pitch bonding.

TURNOVER BY PRODUCTS (HK$MILLION)



REVIEW (CONTINUED)

Indeed, reflecting customer satisfaction and market acceptance, our AB339 Eagle gold wire bonder received the Semiconductor International Editors' Choice Best Products Award in 2001 for the second time in its successive generation. We also received plaudits from other sources in addition to recognition by our industry and customers: the Singapore Government acknowledged ASM's past achievements and long term commitment to Singapore by awarding us the prestigious Manufacturing Headquarters (MHQ) status and its associated incentives.

During the last year new products and new generation machines were launched according to schedule. We have delivered a number of machines to customers for performance evaluations, including the high speed, innovative IC die bonders capable of handling 300 mm and 200 mm wafers and the high precision, eutectic solder process bonders for 'flip chip in package' applications. Our unique small footprint integrated ball placement, reflow and cleaning system and a multi-site test handler were also shipped for customer benchmarking. Furthermore, the new generation IDEALine, based on the Twin Eagle and some advanced concepts, was sent for beta site testing. These exciting new products are expected to start generating revenue in 2002.

While we made every effort to cut our operating costs last year — including fixed costs like salary, fringes, rental and production headcount — we made no compromise on our technology and product developments or our efforts at market penetration.
R&D expenses, net of a HK$3.5 million Singapore Government research grant subsidy, amounted to HK$166.4 million, representing 13.4% of our equipment sales. Capital investments, which cover R&D analytical tools and equipment, information systems and some prudent machinery purchases to enhance production capabilities, amounted to HK$153 million (20% below our previous plan).
Capital investment planned for 2002 is HK$150 million.

With the major change in our gold wire bonder production run rate from late year 2000 and for most of 2001, inventory turnover based on current year sales was less than desirable. Fortunately this abrupt schedule change coincided with our transition to the new Eagle wire bonder planned for the 4th quarter of 2000.

Our AD900 flip chip bonder, addressing FCIP with eutectic solder process, has been praised by customers for its high placement accuracy and throughput.

REVIEW (CONTINUED)

With no obsolescence risk, these Eagle related raw materials and work-in-process are expected to clear during 2002. Even though we had to prepare materials for the pilot production of our new flip chip bonder, 300 mm IC die bonder and our integrated ball placement, reflow and cleaning system during the latter part of the year, our total inventory was reduced by 12% to HK$607 million at year-end. The enterprise resource planning (ERP) software, which has been widely implemented within ASM worldwide, has proved a valuable tool in streamlining our logistics and management information systems.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's shareholders' funds decreased to HK$1,829,047,000 as at 31 December 2001 (2000: HK$2,093,600,000). As there were no long term borrowing, gearing of the Group was zero, the same as the past year.

Although HK$459.5 million was paid as dividend and HK$153 million spent in capital investment during the twelve-month period, due to strong positive cash flow, cash on hand at 31 December 2001 was slightly reduced to HK$478,487,000 (2000: HK$648,804,000). In fact, the majority of capital investments were funded by the current year depreciation of HK$151.8 million.

Except for a JPY479 million loan raised in July 2001 to hedge against our yen-based assets' exposure to currency fluctuation, with no other bank borrowing, this resulted in an all bank debt to equity ratio of only 1.6%. Current ratio significantly improved to 4.39. Receivables were tightly monitored during the year, resulting in 65 days sales outstanding (2000: 65 days).

The Group has minimal currency exposure as the majority of all sales were denominated in US dollars. On the other hand, its disbursements were mainly in US dollar, Hong Kong dollar, Singapore dollar and Renminbi. The limited yen-based receivables were covered by some accounts payables in yen to Japanese vendors and the hedging loan as stated above.

HUMAN RESOURCES

The Group adopts a competitive remuneration package for its employees. Aside from salary payments, other benefits include contributions to provident fund schemes and medical subsidies. In addition, based on the Group's financial results and individual performance, discretionary bonus and incentive shares may be granted to eligible staff. In general, salary review is conducted annually. The Group is committed to continue its rigorous staff development and training programs.

As at 31 December 2001, the total headcount of the Group worldwide was approximately 5,000 people.

PROSPECTS

As reflected by several companies' recently reported figures, rising utilisation of wafer foundries and sales of consumables, semiconductor assembly factories passed through their trough during the 4th quarter. Although overshadowed by the weak world economy, SIA predicts the semiconductor industry will rebound slightly by 6% in 2002, followed by strong double-digit growth in the subsequent two years. Electronic Trend Publication (ETP) has projected integrated circuits (IC) output to rise by 10% in 2002, while packaging material revenue is expected to increase by 11% according to SEMI.

The assembly equipment market usually lags behind customers' activities but leads the other semiconductor equipment sectors like wafer processing equipment by a few months. VLSI Research forecasts it will experience a marginal gain of 1% in 2002, followed by a strong year in 2003 with 50% growth. Most industry participants expect a slow first half and an increased uptake in business activities starting mid-2002.

Although we began the year with an eroded order backlog, ASM's management believes industry will continue to make investments related to enhanced technology such as finer pad pitch wire bonders to meet ever increasing die shrink requirements. In addition to technology buys, customers also need to invest in equipment to cope with new package types like QFN and flip chip. While the first few months should prove challenging times, with our diversified products, improved market position and a strong balance sheet, we believe ASM will weather the long winter and come out of the slowdown better than our competitors.

In addition to having our customers testing our completely rejuvenated product portfolio, to maintain our leadership in fine pitch wire bonders we will introduce our enhanced version of the Eagle wire bonder — the Eagle 60 — by the end of the first quarter. Featuring 15-20% productivity gain over current generation machine, the Eagle 60 is expected to further ease looping control, off-line programming and portability demands. Further development to achieve even better output per given floor space is in our roadmap, to ensure ASM is well-positioned for the market upturn.

Having participated in the photonics industry during the last three years with our laser diode die and wire bonders, ASM has also made a commitment to develop an optical fibre alignment and welding machine capable of sub-micron accuracy. We anticipate the first prototype to be ready by end of this year, to further our penetration and support of this rising optical communication component industry.

PROSPECTS (CONTINUED)

Our strategy of providing packaging development support to customers has produced dividends in the chip scale package area. Apart from becoming the customers' QFN leadframe supplier, this value-added service has enabled ASM to open some doors for our other assembly equipment. We intend to capitalize on this strategy and beef up our packaging development team, providing further solutions to customers in the flip chip arena.

Similarly, our factory automation solution helps to cement ASM's working relationship with customers. Our closely integrated new product introductions also aid the forging of closer ties to strategic clients. To help customers make the best use of their capital investments, ASM has committed R&D resources to develop equipment management software — the IDEALnet — as a management tool for customers to track equipment performance, gain remote access to information and diagnostic, as well as providing them with a vehicle to improve their machine Overall Equipment Effectiveness (OEE).

With additional R&D projects like equipment management software, flip chip packaging development and the optical fibre alignment machine, our R&D spending is expected to rise moderately. Aside from leading edge products, ASM can truly differentiate itself from its competitors in its total solution approach to customers' business needs, a strategy that rivals cannot imitate easily.

APPRECIATION

After the meteoric rise in semiconductor industry growth in 2000, a correction was to be expected in 2001. ASM's strong performance in such adverse circumstances is a tribute not only to the prescience of our business strategies but also the resilience and dedication of our staff, to whom the Board expresses its profound appreciation.

Things will not be plain sailing in 2002, but we look forward with anticipation to seizing the opportunity to increase our market share as we did during the previous slowdown, and prepare ourselves to take advantage of the coming market recovery.

Arthur H. del Prado
Chairman

7 February 2002

ASM

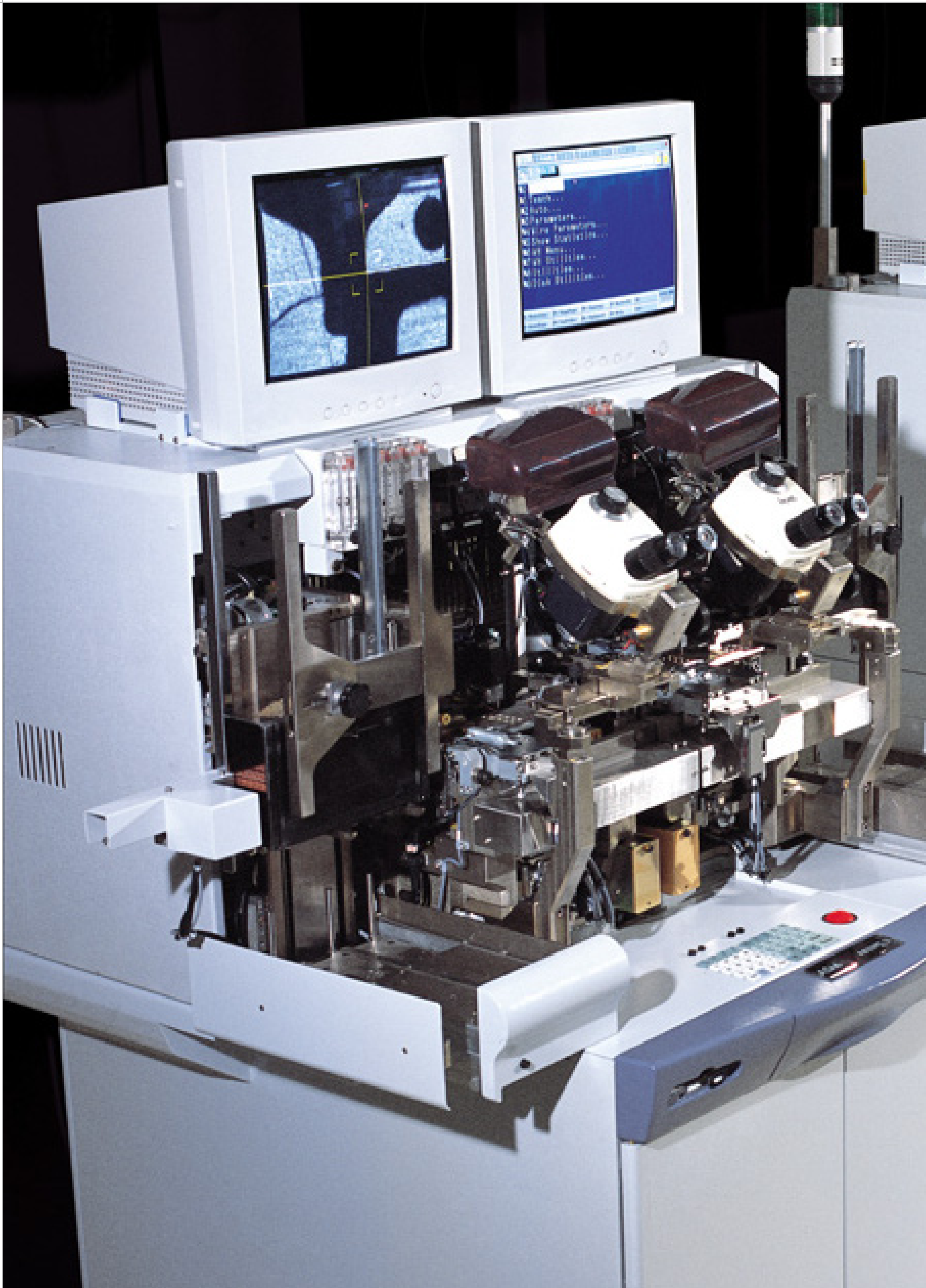
Providing Solutions to Customers In:

PROCESS INNOVATION

PACKAGING DEVELOPMENT

FACTORY AUTOMATION

EQUIPMENT MANAGEMENT



PROCESS INNOVATION

The Twin Eagle Wire Bonder – next product after our powerful Eagle 60 – is currently under development.

OVERVIEW

Initially a result of inventory correction but exacerbated by soft demand due to the slowing world economy, production run rates of many semiconductor factories were slashed to fractions of their past levels last year. However, after a long period of month-to-month decline in output, the semiconductor industry passed its trough and began a gradual recovery starting in the fourth quarter. Analysts estimated there was a 20% decline in IC unit volume and around 32% drop in revenue in 2001 – the most severe slowdown in the entire history of the semiconductor industry. Capital expenditure of many companies was cut, resulting in push-outs or cancellations of outstanding orders. Purchases of IC assembly and packaging equipment for capacity expansion vanished.

The AD8912, our high speed, innovative IC die bonder capable of handling 300 mm wafers, has been shipped to customers for benchmarking.

OVERVIEW (CONTINUED)

Even in these serious circumstances, ASM remained profitable, largely due to the solid business foundation laid over the years by our superlative products in diversified territorial and application markets. Still, Group turnover dropped to US$200 million, a reduction of 60.9% as compared with the previous year. With eroded order backlog, turnover during the second half of the year was only 57.3% as compared with the first half. While every sector of the electronics food chain was badly hit, due to the strong domestic economy in the first half of the year our sales to the China market declined much less than in other countries. In addition, with our equipment strengths in servicing the optoelectronics market, we made record sales into Japan, better than all previous years. Riding our strong market momentum, ASM clearly has been gaining market share in both good (years 1999, 2000) and bad (2001) years.

The operating leverage effect of the reduced turnover inevitably affected gross and net margins. Even though net profit was trimmed to HK$231 million, once again we outperformed our competitors in the rate of revenue change and distinguished ourselves as the only profitable company during this slowdown. The combined effect of our rising equity base and smaller profit resulted in return on capital employed and on sales ratios of 13.5% and 14.6% respectively. Together with a 38% rise in our share price and hefty dividends during the year, ASM represents a good investment for our shareholders during this poor economic environment.

ASM is committed to long term growth and success. While our competitors were forced to make expedient decisions to produce short-term results, we did not cut back in marketing and R&D. Instead, we used this slow period to aggressively launch renewed market assaults. Many new products and new models equipped with the more powerful motion controllers and linear motors were introduced to the market. New die, wire and flip chip bonders were sent for various field evaluations, and obtained very favourable responses from the customers. Our technical support for customers' packaging development efforts also yielded good returns. This strategy enables ASM to foster strategic partnerships with our customers and open some doors for our leadframes and other assembly equipment.

While the first few months of this year may prove challenging times, due to a low order backlog and lack of customer capacity expansion until their overall loading further improves, we have seen rising demands for fine pitch wire bonders to meet the die shrink requirements. This capability upgrade, as well as the need to invest in new package types like QFN, CSP and flip chip, will lead the assembly equipment industry's gradual recovery. We believe ASM is well positioned with its products and integrated customer solutions to take full advantage of the market upturn.

PACKAGING DEVELOPMENT

The BPLine: ASM's unique small footprint integrated ball placement, reflow and cleaning system for BGA and CSP packages.

MARKET AND PRODUCT DEVELOPMENT

Equipment Division

In spite of the extremely harsh business environment, ASM achieved a turnover of US$159.2 million in 2001, largely thanks to our diversified products addressing different application markets. With this turnover, ASM still ranks second among the world's semiconductor assembly equipment manufacturers, although it represents a reduction of 63.5% compared to the previous year. Nevertheless, our sales were only 10% below that of our leading competitor, and we actually surpassed them during the first quarter. With our leading competitors reporting a revenue drop exceeding 70% in the calendar year 2001, once again ASM outperformed our peers and has clearly been gaining market share in the last few years.

The AB569, a new wedge bonder currently under development and equipped with linear motors, features higher throughput and greater accuracy than current models.

Equipment Division *(continued)*

Equipment sales represent 80% of the Group's turnover. Due to the soft IC packaging market, especially the subcon segment, our weighting towards equipment addressing the optoelectronics, discretes and chip-on-board sectors was heavier than in the previous year.

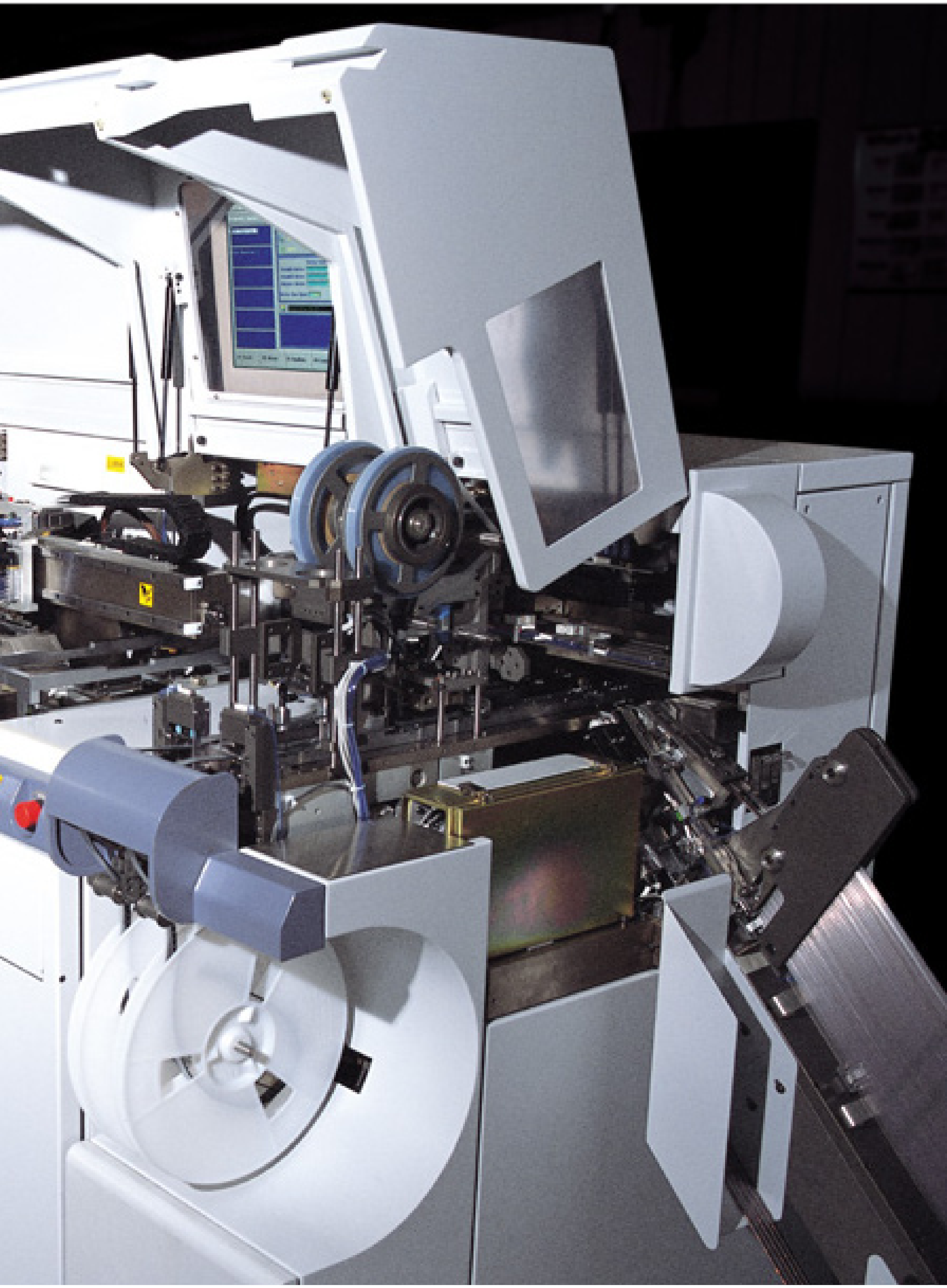
During this slowdown, the AB339 Eagle wire bonder led our market offensive and successfully captured four new customers who did extensive field evaluations to verify our bonder's superior fine pitch process capabilities, throughput and stability. Other demonstrations are currently on-going and several have already generated favourable responses from potential customers. We expect our wire bonder market share will be further enlarged when the market comes back for more technology and capacity buys.

Apart from supporting customers with process enhancements, we are continuing to push forward with our factory automation solution. We recently shipped our new generation IDEALine, featuring Twin Eagle and some advanced concepts, to a customer for beta site testing. Concurrently, we are building a complete line for another customer, with ASM supplying all the critical process modules such as die attach, snap cure, wire bond, encapsulation, trim form, test handling, singulation, inspection, tape and reel. In addition to absolutely minimum work-in-progress (WIP), this line can go from wafer to fully tested and packaged IC in less than one hour manufacturing cycle time, a many-fold reduction as compared with the traditional approach.

Many exciting new products were launched during the year. Among them, our new AD900 flip chip bonder, which addresses the growing demands of flip chip in package (FCIP) with eutectic solder process, found its high placement accuracy and throughput well received by our customers. Our unique, small footprint solder ball placement line was shipped for customer benchmarking, complementing our factory automation solution for ball array packages. As an alternative to strip testing but achieving the same high productivity and standardized handler objectives, we delivered our first multi-site test handler capable of ambient and elevated temperatures. We expect these innovative new products will start generating revenue in 2002 and strengthen ASM's product portfolio.

FACTORY AUTOMATION

Our IDEALine, with new multi-site test handler and tape & reel modules, processes diced wafer to fully tested and packaged IC in less than one hour.



Leadframe Division

With the electronic industry adjusting its supply chain inventory, demand for semiconductors and consequently leadframes was low, especially during the 2nd and 3rd quarters. Our leadframe revenue dropped by 45.5% last year to US$40.8 million, representing 20% of the Group's turnover.

As an integrated leadframe supplier having full functional capabilities, ASM is well-known for short delivery lead times and offers frame design, rapid prototyping and volume production of stamped frames with either spot silver or full palladium plating. Over the years, ASM has provided cost-effective solutions for surface-mounted IC and micro-packages with high density matrix leadframes.

The AD819 laser diode bonder, one of our products serving the fast growing photonics industry, supports ASM's long term market diversification plan.

Leadframe Division *(continued)*

Recognizing constraints in wire bonding, encapsulation and de-taping, we also offer QFN leadframes designed to optimize various assembly processes. Unique among all leadframe suppliers, this specialised knowledge permits ASM to provide strong packaging development support to our customers. Together with our superior half-etching capabilities, such value-added services have propelled ASM to leadership position in QFN leadframes. To meet upcoming volume demands, we have been installing reel to reel etching equipment and plating machines to capitalize on this market opportunity.

CAPACITY AND PLANT DEVELOPMENT

Due to poor market demand, 2001 was not a year of capacity expansion or new facilities. This provided an excellent opportunity for our production management to focus on quality and efficiency improvement, training of staff and better utilization of the CNC machines already installed. More production capacity was allocated for our R&D prototypes and pilot production to expedite the time-to-market of our new products.

To sustain profitability at a much reduced business volume, many steps were taken to reduce our fixed and variable costs. Apart from minor layoffs and self-attrition to reduce headcount and remove marginal performers, we also introduced pay cuts, froze salary reviews and slashed overtime payments to trim fixed personnel expenses. In addition to savings on utilities and supplies due to plant shutdown, this soft period also helped to use up our employees' accrued annual leave. These prudent cost control measures permitted us to sustain our track record of profitability since inception, i.e. full year operation starting 1976.

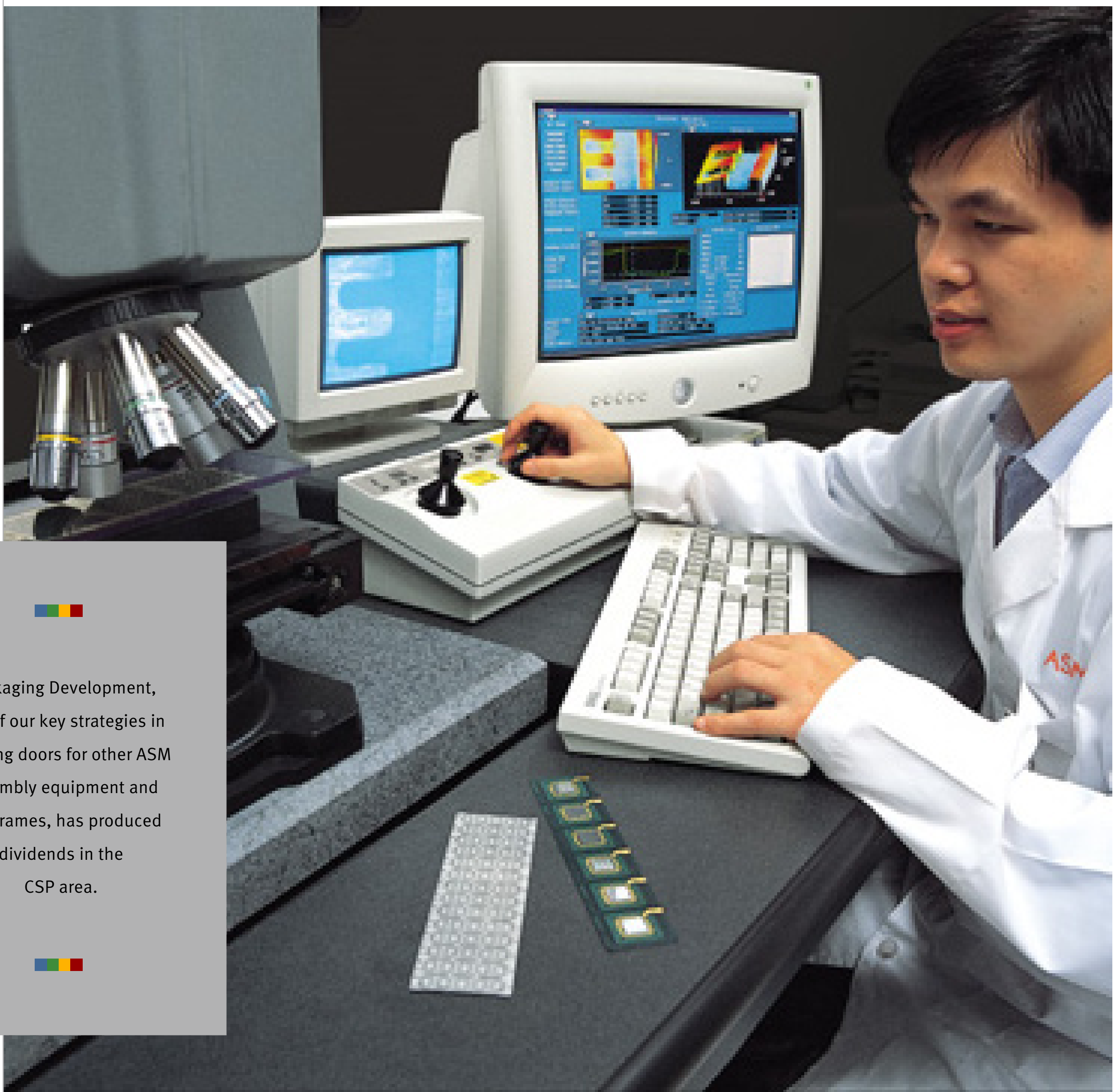
Reflecting the market situation, we trimmed our capital investment in 2001 to HK$153 million, some 20% below our original budget. In line with current business levels and typical of past years, we have budgeted HK$150 million for 2002, intended for analytical equipment, hardware and software to support R&D, logistics and management information, stamping dies for additional matrix leadframe products, machines for boosting QFN etched frame production, and to enhance our production capabilities.

EQUIPMENT MANAGEMENT

ASM's cluster controller and IDEALnet software monitors ASM or foreign equipment, helping customers to improve their machine OEE and gain remote access and diagnostic.

RESEARCH AND DEVELOPMENT

In addition to our technological prowess, ASM's success is built on our ability to innovate faster than our competitors and to exceed customer expectations with our products and services. In this regard, ASM aims not only to provide customers with world class hardware, but also with continuous process enhancement, packaging development support, factory automation solutions and software to help them manage their valuable assets. To fund these growing activities, it is our policy to spend 10% of our equipment sales on R&D. In 2001, our gross R&D expenses amounted to HK$170 million, second highest in our corporate history, representing 13.7% of our equipment sales.



Packaging Development, one of our key strategies in opening doors for other ASM assembly equipment and leadframes, has produced dividends in the CSP area.

RESEARCH AND DEVELOPMENT (CONTINUED)

As in previous years, we have a program to launch many new and exciting products in 2002. To maintain ASM's leadership in fine pitch wire bonders and to offer customers better return on their investment dollar and factory space, the enhanced version of our Eagle wire bonder – the Eagle 60 – will be ready by the end of the first quarter. Featuring 15-20% higher productivity to lower customers' cost of ownership, easier looping control, off-line programming and portability, this new model will further challenge our competitors' market presence. Additional developments to achieve finer pad pitch bonding and better output per given floor area are in our roadmap.

During the past three years we have supported the photonics industry with our laser diode die and wire bonders. Now, as part of our long term diversification plan to serve the optical communication component industry, we have decided to broaden our product offerings with an optical fibre alignment and welding machine capable of sub-micron accuracy. We will be working closely with some selected customers and get our prototype machines ready within 2002.

To differentiate ASM as the leader of its industry and to help customers make the best use of their assets, we have been developing a cluster controller and IDEALnet software for monitoring ASM or foreign equipment. With 2D laser marking on the substrates and vision camera at each processing station, the cluster controller provides error prevention and traceability for the integrated circuits to be processed. The equipment management software, IDEALnet, permits the tracking of equipment performance, gaining remote access to information and diagnostic, as well as offering a vehicle to improve machine Overall Equipment Effectiveness (OEE).

We have already successfully developed a bonder to address one segment of the flip chip market. Now, as the pacesetter in the microelectronics assembly and packaging equipment industry, we intend to allocate additional R&D resources to expand our product range. We will provide a reflow station to be linked to our AD900 flip chip bonder to satisfy in-line processing requirements.
An optional larger force bonding head module will address the higher complexity I/O dies. To cater for different bumping media, we will develop a machine for making gold stud bumps, and equip our flip chip bonder with thermocompression and thermosonic chip attach capabilities. Development efforts will be expanded to adapt transfer moulding and eliminate the underfill process for some selected applications. Our packaging development team will work closely with our customers to explore high performance but cost-effective flip chip packaging.

These and other groundbreaking, innovative development projects distinguish ASM from our competitors in the market, and safeguard our future business success.

FINANCIAL

ASM's strong financial position is the result of our profitable and cash generating business performance in past years, as well as our conservative fiscal policy, prudent investment planning and strict liquidity control.

In spite of the most severe downturn in the history of semiconductor and its equipment industries, ASM remained profitable and generated strong positive cash flow last year. Although HK$459.5 million was paid as dividend and HK$153 million spent in capital investment during the twelve-month period, cash on hand at 31 December 2001 was only slightly reduced to HK$478.5 million (2000: HK$648.8 million). In fact, the majority of capital investments were funded by the current year depreciation of HK$151.8 million.

Except for a JPY479 million loan raised in July 2001 to hedge against our yen-based assets' exposure to currency fluctuation, with no other bank borrowing, this resulted in an all bank debt to equity ratio of only 1.6%. With no long-term borrowing, as in the previous year, gearing ratio is again zero. Net interest income amounts to HK$ 22.1 million for the year.

Receivables were tightly monitored during 2001, resulting in 65 days sales outstanding, the same as the previous year. Management has closely scrutinized all receivable accounts and concluded that bad debt exposure, if any, is immaterial and well covered by provisions made in conformity with the Company's policy. Through better management of working capital, our current ratio significantly improved to 4.39. Order backlog exceeded US$20 million as of 31 December 2001.

Having established a solid foundation in the microelectronics market, the Group intends to further its organic growth strategy in the near term. With no short term need for major cash outlay and in view of our strong liquidity and rising equity base, as evidenced by the recent dividend proposals, we aim to operate the Group with the optimum shareholder fund and return any excessive cash holdings to our shareholders. The strong financial position of the Company should allow ASM to weather the slowdown and emerge as a formidable leader in our industry.

The Directors present their annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2001.

Principal activities

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of machines, tools and materials used in the semiconductor industry.

Segmental information

Details of segmental information are set out in note 5 to the financial statements.

Results and appropriations

The Directors recommend the payment of a final dividend of 64 cents (2000: 85 cents) per share, which together with the interim dividend of 36 cents (2000: 30 cents) per share paid during the year, makes a total dividend for the year of 100 cents (2000: 115 cents) per share.

Details of the results of the Group and appropriations of the Company are set out in the consolidated income statement on page 36 and the accompanying notes to the financial statements.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 74.

Property, plant and equipment

During the year, the Group continued to expand its manufacturing facilities. The Group acquired plant and machinery for approximately HK$119 million and invested approximately HK$34 million on upgrading the manufacturing, support and other facilities.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2001 are set out in note 17 to the financial statements.

Issue of shares

1,782,500 shares were issued for cash at par on 15 December 2001 to certain employees pursuant to their entitlements under the Employee Share Incentive Scheme.

Reserves

Movements during the year in the reserves of the Group and the Company are set out in note 23 to the financial statements.

Borrowings

Details of the Group's bank borrowings are set out in note 21 to the financial statements. No interest was capitalised by the Group during the year.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Arthur H. del Prado, Chairman

Lam See Pong, Patrick, Managing Director

Fung Shu Kan, Alan

Rinse de Jong (resigned on 9 February 2001)

Independent non-executive Directors:

Orasa Livasiri

Paulus Cornelis van den Hoek

In accordance with Article 113 of the Company's Articles of Association, Mr. Paulus Cornelis van den Hoek retires and, being eligible, offer himself for re-election.

The term of office for each non-executive Director is the period up to retirement by rotation in accordance with the Company's Articles of Association.

Biographical details of Directors as at the date of this report are:

Arthur H. del Prado, is the Chairman of the Company and President, Chief Executive Officer and founder of ASM International N.V. ("ASM International"). Mr. del Prado currently serves on the Board of several companies, civic and non profit organizations, among which the MEDEA Board, the "Micro Electronics Development for European Applications" project and Dujat, Dutch & Japanese Trade Federation, Associated Venture Investors (A.V.I.), Venture capital group in Santa Clara, California, U.S.A.. Arthur H. del Prado was formerly a member of the Board of Directors of : Océ van der Grinten Nederland N.V., Manufacturer of Copiers and Printers; G.T.I. Holding N.V., an Electronic Equipment and Installations company; Delft Instruments N.V., a Manufacturer of High-Technology Industrial and Defence Products; Breevast N.V., Project Development and Management; ABN-AMRO Bank, Advisory Counsel.

Directors (continued)

Lam See Pong, Patrick, Executive Director, aged 53, is the Managing Director of the Company. He has a Bachelor of Science degree in Electrical Engineering from the University of Manitoba, Canada, a Diploma in Management Studies from the University of Hong Kong, and a Masters degree in Business Administration from the Chinese University of Hong Kong. He has over 30 years of experience in computer and semiconductor industry. He joined the Group in 1975 and was responsible for founding ASM's operation in Hong Kong.

Fung Shu Kan, Alan, Executive Director, aged 51, is the Financial Director of the Group in charge of financial planning and control. He obtained his Diploma and Masters degree in Business Administration from Hong Kong Polytechnic and the University of East Asia respectively. He joined the Group in 1978 and before that he had worked for two multinational semiconductor companies for over 10 years.

Orasa Livasiri, Independent Non-executive Director, aged 46, was appointed to the Board as an Independent non-executive Director in 1994. She is a solicitor in private practice and is a partner of Messrs. Ng, Lie, Lai & Chan, the Company's legal adviser.

Paulus Cornelis van den Hoek, Independent non-executive Director, aged 63, was appointed to the Board as an Independent non-executive Director in 1994. He has been a partner in the law firm of Stibbe in Amsterdam since 1969 and until 2000 Chairman of the Board of that firm. He has also been a part-time professor of corporate law at the Free University of Amsterdam since 1991 until September 1999. He is a member of the Committee for Company Law of the Dutch Ministry of Justice. From 1981 to 1984 he was President of the Netherlands Bar Association. He serves amongst other on the supervisory boards of ASM International, Ballast Nedam N.V., Buhrmann N.V. and the Robeco group of companies as an independent non-executive member.

Employee Share Incentive Scheme

The Group has an Employee Share Incentive Scheme which is for the benefit of the Group's employees and members of management and has a life of 10 years starting from December 1989. On 25 June 1999, at an extraordinary general meeting of the Company, the shareholders approved to extend the period of the Scheme for a further term of 10 years up to 23 March 2010 and allow up to 5% of the issued share capital of the Company from time to time, excluding any shares of the Company subscribed for or purchased pursuant to the Scheme since 23 March 1990, to be subscribed for or purchased pursuant to the Scheme during the extended period.

Employee Share Incentive Scheme (continued)

On 12 February 2001, the Directors resolved to contribute HK$180,000 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,800,000 shares in the Company for the benefit of employees and members of the management of the Group in respect of their services for the year ended 31 December 2000. Upon expiration of the defined qualification period on 15 December 2001, the trustees subscribed 1,782,500 shares respectively for the benefit of those staff qualified under the Scheme. 205,000 of these shares were issued to certain Directors.

On 7 February 2002, the Directors resolved to contribute HK$180,000 to the Scheme enabling the trustees to subscribe for a total of 1,800,000 shares in the Company for the benefit of employees and members of the management of the Group in respect of their services for the year ended 31 December 2001 upon the expiration of a defined qualification period. 205,000 of the share entitlements have been allocated to certain Directors.

Directors' interests in shares

Details of the beneficial interests of the Directors in the share capital of the Company and its associated corporations as at 31 December 2001 as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") are as follows:

	Personal interests	Family interests	Corporate interests	Other interests
Arthur H. del Prado (Note)	—	—	—	—
Lam See Pong, Patrick	2,970,000	—	—	—
Fung Shu Kan, Alan	301,000	—	—	—
Orasa Livasiri	—	—	—	—
Paulus Cornelis van den Hoek	1,370,000	—	—	—

Directors' interests in shares (continued)

Note:

As at 31 December 2001, Arthur H. del Prado, member of his immediate family and a foundation controlled by him together held about 23.34% of the issued share capital of ASM International. A wholly owned subsidiary of ASM International, Advanced Semiconductor Materials (Netherlands Antilles) N.V. holds 207,427,500 shares of the Company as at 31 December 2001. ASM International also holds the fixed-rate participating shares of ASM Assembly Automation Limited and ASM Assembly Materials Limited which are wholly owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, none of the Directors or chief executives held any interests in the share capital of the Company or its associated corporations as defined in the SDI Ordinance at 31 December 2001.

Directors' rights to acquire shares or debentures

Other than those rights described under the Employee Share Incentive Scheme, none of the Directors or chief executives or their spouses or children under the age of 18 had any right to subscribe for shares of the Company, or had exercised any such right during the year; and at no time during the year was the Company or its holding companies or any of its fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that, other than the interest disclosed in "Directors' interests in shares" above in respect of Arthur H. del Prado, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

Directors' interests in contracts

During the year, the Group had certain transactions with the ASM International group of companies, details of which are set out in note 31 to the financial statements.

Arthur H. del Prado has interest in ASM International as disclosed in "Directors' interests in shares" above.

Save as disclosed above, no contracts of significance to which the Company or its holding companies or any of its fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' service contracts

No Director of the Company has a service contract with any company in the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Purchase, sale or redemption of shares

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

Major customers and suppliers

The aggregate sales attributable to the five largest customers of the Group were less than 30% of the Group's turnover for the year under review.

The aggregate purchases attributable to the five largest suppliers of the Group were less than 30% of the Group's purchases for the year under review.

Donations

During the year, the Group made charitable and other donations amounting to HK$226,920.

Corporate Governance

In the opinion of the Directors, the Group has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2001.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the board

Lam See Pong, Patrick

Director

7 February 2002

To the Shareholders of ASM Pacific Technology Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 36 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 7 February 2002

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2001

	Notes	**2001**	2000
		HK$'000	HK$'000
Turnover	4	**1,560,227**	3,989,130
Cost of sales		**(930,038)**	(2,171,732)
Gross profit		**630,189**	1,817,398
Other revenue		**28,156**	32,519
Selling expenses		**(138,720)**	(281,564)
General and administrative expenses		**(103,944)**	(170,520)
Research and development expenses, net	6	**(166,400)**	(219,486)
Profit from operations	7	**249,281**	1,178,347
Finance costs	11	**(155)**	(3,132)
Profit before taxation		**249,126**	1,175,215
Taxation	12	**(17,880)**	(95,032)
Net profit for the year	13	**231,246**	1,080,183
Dividends	14	**380,926**	436,509
Earnings per share	15		
– Basic		**HK$0.61**	HK$2.86
– Diluted		**HK$0.61**	HK$2.85

At 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
Non-current assets			
Property, plant and equipment	16	**757,705**	768,794
Current assets			
Inventories	18	**607,207**	691,809
Trade and other receivable	19	**321,789**	788,522
Bank balances and cash		**478,487**	648,804
		1,407,483	2,129,135
Current liabilities			
Trade and other payable	20	**266,398**	694,054
Taxation		**26,054**	93,818
Short-term bank borrowings	21	**28,473**	30
		320,925	787,902
Net current assets		**1,086,558**	1,341,233
		1,844,263	2,110,027
Capital and reserves			
Share capital	22	**38,157**	37,979
Reserves	23	**1,546,687**	1,732,804
Dividend reserve		**244,203**	322,817
		1,829,047	2,093,600
Non-current liabilities			
Deferred taxation	24	**15,216**	16,427
		1,844,263	2,110,027

The financial statements on pages 36 to 73 were approved and authorised for issue by the Board of Directors on 7 February 2002 and are signed on its behalf by:

Arthur H. del Prado
Director

Lam See Pong, Patrick
Director

At 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
Non-current assets			
Interests in subsidiaries	17	**395,423**	391,109
Current assets			
Trade and other receivable	19	**1,369**	1,635
Amounts due from subsidiaries		**573,121**	453,321
Bank balances and cash		**368,329**	297,042
		942,819	751,998
Current liabilities			
Trade and other payable	20	**868**	3,746
Amounts due to subsidiaries		**199,306**	99,128
Short-term bank borrowings	21	**28,468**	29
		228,642	102,903
Net current assets		**714,177**	649,095
		1,109,600	1,040,204
Capital and reserves			
Share capital	22	**38,157**	37,979
Reserves	23	**827,240**	679,408
Dividend reserve		**244,203**	322,817
		1,109,600	1,040,204

Arthur H. del Prado
Director

Lam See Pong, Patrick
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2001

	2001	2000
	HK$'000	HK$'000
Net profit for the year	**231,246**	1,080,183
Net losses not recognised in the income statement:		
Exchange differences on translation of the financial statements of overseas operations	**(36,437)**	(22,109)
Total recognised gains	**194,809**	1,058,074
Prior period adjustment arising from the adoption of Statement of Standard Accounting Practice No. 9 (Revised) (see Note 2) — increase in dividend reserve as at 1 January 2000 as a result of derecognition of liability for final dividend for the year ended 31 December 1999		105,548

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
Net cash inflow from operating activities	25	**483,130**	1,180,905
Returns on investments and servicing of finance			
Bank interest received		**22,212**	23,050
Income received from marketable securities		**—**	2,125
Dividends paid		**(459,540)**	(219,240)
Interest paid		**(155)**	(3,132)
Net cash outflow from returns on investments and servicing of finance		**(437,483)**	(197,197)
Taxation			
Hong Kong Profits Tax paid		**(82,433)**	(14,107)
Taxation in other jurisdictions paid		**(4,463)**	(6,657)
Net cash outflow on taxation		**(86,896)**	(20,764)
Investing activities			
Purchase of property, plant and equipment		**(153,073)**	(349,391)
Proceeds on disposal of property, plant and equipment		**226**	11
Disposal of marketable securities		**—**	44,482
Decrease in pledged bank deposits		**—**	1,455
Net cash outflow from investing activities		**(152,847)**	(303,443)
Net cash (outflow) inflow before financing		**(194,096)**	659,501

	Notes	2001 HK$'000	2000 HK$'000
Financing	26		
New bank loans raised		**28,468**	—
Proceeds from issue of shares		**178**	283
Repayments of bank loans		**—**	(154,250)
Net cash inflow (outflow) from financing		**28,646**	(153,967)
(Decrease) increase in cash and cash equivalents		**(165,450)**	505,534
Cash and cash equivalents at beginning of the year		**648,774**	146,159
Effect of foreign exchange rate changes		**(4,842)**	(2,919)
Cash and cash equivalents at end of the year	27	**478,482**	648,774

For the year ended 31 December 2001

1 GENERAL

The Company is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is ASM International N.V. ("ASM International"), a company incorporated in the Netherlands.

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of machines, tools and materials used in semiconductor industry.

2 ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP No. 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet. This change in accounting policy has been applied retrospectively.

Segment reporting

In the current year, the Group has followed the basis of identification of reportable segments to that required by SSAP No. 26 "Segment reporting". Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP No. 30 "Business combinations" and has elected not to restate negative goodwill previously credited to reserves. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") made up to 31 December each year. All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition and disposal respectively.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Revenue recognition

Sales of goods are recognised when goods are delivered and when title has passed.

Income from investments, which represents principally interest received and receivable, is accounted for on an accrual basis by reference to the principal outstanding and at the interest rates applicable.

Interest income from bank deposits is accounted for on an accrual basis by reference to the principal outstanding and at the interest rates applicable.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Building	4%
Leasehold improvements	$33^1/_3$%
Plant and machinery	10% to $33^1/_3$%
Furniture, fixtures and equipment	10% to 20%

Property, plant and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the leases.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company’s balance sheet at cost less any identified impairment loss.

Income from investments in subsidiaries is accounted for when the Company’s right to receive the dividend payment has been established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the standard cost method, which closely approximates the actual cost calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The principal portion of the corresponding leasing commitments is shown as an obligation of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets, are charged to the income statement as finance charges over the period of the leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and their rentals are charged to the income statement on a straight line basis over the term of the relevant leases.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the qualifying assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Government grants received as subsidy for the Group's research and development activities are credited to the related project costs in the year in which the Group is entitled to such grant.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, except funds advanced to subsidiaries which are regarded as permanent equity funding, are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement. Funds advanced to subsidiaries which, although not designated as capital, are regarded as permanent equity funding, are stated at historical rates.

On consolidation, the assets and liabilities of overseas subsidiaries are translated at the market rates at the balance sheet date and the results of overseas subsidiaries are translated at the average market rate during the year. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Employee Share Incentive Scheme

The costs on Employee Share Incentive Scheme are recognised as an expense in the period in which the relevant employees' services are rendered and are calculated with reference to the nominal value of shares expected to be issued under the scheme.

Retirement benefit schemes

The retirement benefit costs charged to the income statement represent the contribution payable in respect of the current year to the Group's defined contribution retirement schemes and Mandatory Provident Fund Scheme.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

4 TURNOVER

Turnover represents the amounts received and receivable for goods sold to customers during the year, less returns and allowance.

5 BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group is currently organised into two operating divisions — equipment and leadframe. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:
Equipment — manufacture and marketing of semiconductor machines and tools
Leadframe — manufacture and marketing of semiconductor materials

(i) Segment information about these businesse for the year ended 31 December 2001 is presented below:

Income statement

	HK$'000
Revenue	
Equipment	1,241,926
Leadframe	318,301
	1,560,227
Result	
Equipment	224,082
Leadframe	2,987
	227,069
Unallocated corporate income	22,212
Profit from operations	249,281
Finance costs	(155)
Profit before taxation	249,126
Taxation	(17,880)
Net profit for the year	231,246

Balance sheet

	Equipment HK$'000	Leadframe HK$'000	Consolidated HK$'000
Assets			
Segment assets	1,448,448	223,480	1,671,928
Unallocated corporate assets			493,260
Consolidated total assets			2,165,188
Liabilities			
Segment liabilities	200,743	62,737	263,480
Unallocated corporate liabilities			72,661
Consolidated total liabilities			336,141

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(A) BUSINESS SEGMENTS (CONTINUED)

Other information

	Equipment HK$'000	Leadframe HK$'000	Consolidated HK$'000
Capital additions	117,439	35,634	153,073
Depreciation	118,447	33,328	151,775
Other non-cash expenses	86	216	302

(ii) Segment information about these businesses for the year ended 31 December 2000 is presented below:

Income statement

	HK$'000
Revenue	
Equipment	3,404,859
Leadframe	584,271
	3,989,130
Result	
Equipment	1,096,867
Leadframe	56,305
	1,153,172
Unallocated corporate income	25,175
Profit from operations	1,178,347
Finance costs	(3,132)
Profit before taxation	1,175,215
Taxation	(95,032)
Net profit for the year	1,080,183

Balance sheet

	Equipment HK$'000	Leadframe HK$'000	Consolidated HK$'000
Assets			
Segment assets	1,963,472	267,197	2,230,669
Unallocated corporate assets			667,260
Consolidated total assets			2,897,929
Liabilities			
Segment liabilities	606,009	85,528	691,537
Unallocated corporate liabilities			112,792
Consolidated total liabilities			804,329

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(A) BUSINESS SEGMENTS (CONTINUED)

	Equipment HK$'000	Leadframe HK$'000	Consolidated HK$'000
Capital additions	316,982	32,409	349,391
Depreciation	134,712	46,150	180,862
Other non-cash expenses	44,469	23,870	68,339

(B) Geographical segments

The Group's operations are principally carried out in the People's Republic of China (the "PRC"), including Hong Kong and Mainland China, Singapore and Malaysia.

(i) An analysis of the Group's turnover and profit from operations by location of operations is as follows:

	Turnover		Profit from operations	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Location of operation				
PRC	**1,036,803**	1,858,058	**186,859**	502,308
Singapore and Malaysia	**523,424**	2,131,072	**40,210**	650,864
	1,560,227	3,989,130	**227,069**	1,153,172
Unallocated corporate income			**22,212**	25,175
Profit from operations			**249,281**	1,178,347

5 BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

(B) GEOGRAPHICAL SEGMENTS (CONTINUED)

(ii) A geographical breakdown of the Group's turnover by geographical market is as follows:

	2001 HK$'000	2000 HK$'000
Location of market		
Taiwan	**260,120**	714,731
Malaysia	**232,727**	919,582
Mainland China	**206,116**	269,109
Singapore	**157,529**	294,391
Philippines	**140,076**	456,767
Hong Kong	**117,745**	183,317
Thailand	**106,455**	384,025
Japan	**96,934**	65,931
Europe	**79,592**	161,453
Korea	**79,395**	367,709
United States	**58,018**	122,236
Others	**25,520**	49,879
	1,560,227	3,989,130

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall Group ratio of profit to turnover.

(iii) The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
			Year ended	Year ended
	31.12.2001 HK$'000	31.12.2000 HK$'000	**31.12.2001 HK$'000**	31.12.2000 HK$'000
PRC	**1,617,807**	1,922,721	**124,213**	290,493
Singapore and Malaysia	**547,381**	975,208	**28,860**	58,898
	2,165,188	2,897,929	**153,073**	349,391

6 RESEARCH AND DEVELOPMENT EXPENSES, NET

The Group's Singapore operations received research and development grants from local government sources. The amount of grants received which have been offset against the research and development expenses during the year amounted to HK$3,450,000 (2000: HK$5,982,000).

Included in research and development expenses is depreciation on property, plant and equipment of HK$4,158,000 (2000: HK$8,721,000) and rental of land and buildings under operating leases of HK$1,343,000 (2000: HK$1,890,000).

7 PROFIT FROM OPERATIONS

	2001	2000
	HK$'000	HK$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	**2,538**	2,381
Depreciation	**151,775**	180,862
Loss on disposals of property, plant and equipment	**302**	68,339
Minimum lease payment for land and buildings under operating leases	**35,959**	35,793
Staff costs, including directors' remuneration	**511,577**	758,793
and after crediting:		
Interest income from:		
– banks	**22,212**	23,050
– marketable securities	**—**	2,125
Provision for bad and doubtful debts on trade receivable written back	**10,945**	—

8 DIRECTORS' EMOLUMENTS

	2001	2000
	HK$'000	HK$'000
Fees to independent non-executive Directors	**300**	296
Other emoluments to executive Directors:		
– Salaries and other benefits	**4,930**	7,240
– Performance related incentive payments	**4,503**	2,500
– Pension contribution	**844**	809
Directors' remuneration	**10,577**	10,845

In additions to the above, 205,000 (2000: 286,000) shares of the Company were issued to certain executive Directors during the year under the Employee Share Incentive Scheme. The market value of these shares at the date of issue amounted to HK$3,147,000 (2000: HK$3,835,000).

The emoluments of the Directors, excluding the share incentive benefits, were within the following bands:

	Number of directors	
	2001	2000
HK$nil to HK$1,000,000	**4**	4
HK$1,500,001 to HK$2,000,000	**1**	1
HK$8,000,001 to HK$8,500,000	**1**	–
HK$8,500,001 to HK$9,000,000	**–**	1

9 EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two (2000: two) Directors, details of whose remuneration are set out in note 8. The emoluments of the remaining three (2000: three) individuals were as follows:

	2001	2000
	HK$'000	HK$'000
Salaries and other benefits	**4,216**	5,878
Performance related incentive payments	**3,149**	890
Pension contribution	**613**	483

In addition to the above, 170,000 (2000: 436,000) shares of the Company were issued to the relevant highest-paid employees during the year under the Employee Share Incentive Scheme. The market value of these shares at the date of issue amounted to HK$2,610,000 (2000: HK$7,365,200).

Their emoluments, excluding the share incentive benefits, were within the following bands:

	Number of employees	
	2001	2000
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	2
HK$3,000,001 to HK$3,500,000	**1**	–

10 RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans. The plans for employees in Hong Kong are registered under the OccupationalRetirement Scheme Ordinance(the"ORSO Scheme") and a Mandatory Provident Fund Scheme (the"MPF Scheme") established under the Mandatory Provident Fund Ordinancein December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees, and in the case of Singapore by the Central Provident Fund Board of Singapore.

The amount charged to the income statement which amounted to HK$32,427,000 (2000: HK$22,150,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$781,000 (2000: HK$768,000) arising from employees leaving the Group prior to completion of qualifying service period.

At the balance sheet date, forfeited contributions which arose upon employeesleaving the retirement plans and which are available to reduce the contributions payable in the future years amounted to HK$72,000 (2000: HK$16,000).

11 FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

12 TAXATION

	2001 HK$'000	2000 HK$'000
The charge comprises:		
Hong Kong :		
Profits Tax calculated at 16% of the estimated assessable profit for the year	**15,220**	80,324
Overprovision in prior years	**(380)**	(118)
	14,840	80,206
Taxation in other jurisdictions	**4,251**	7,931
	19,091	88,137
Deferred taxation (credit) charge (note 24)	**(1,211)**	6,895
	17,880	95,032

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, including other parts of the PRC excluding Hong Kong and overseas.

The Group's profit arising from the manufacture of semiconductor equipment and materials in Singapore is non-taxable under a tax incentive scheme granted by the Singapore tax authority. The original tax exemption applies to profits arising for a period of 10 years from 1 January 1992 and expired on 31 December 2001. During the year, the Group's Singapore operation has obtained tax incentive covering certain new products under the Manufacturing Headquarters status for a term of 10 years, subject to the fulfilment of certain criteria during such period, from 1 January 2001.

Deferred taxation is provided on timing differences that, in the opinion of the Directors, are expected to crystallise in the foreseeable future, after taking into consideration the medium term financial plans and projections. Details of deferred taxation are set out in note 24.

12 TAXATION (CONTINUED)

The amount of provided and unprovided deferred taxation (credit) charge for the year is as follows:

	Provided		Unprovided	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of timing differences attributable to:				
Difference between depreciation allowances for tax purposes and depreciation charged in the financial statements	**(2,040)**	19,820	**—**	(31,610)
Taxation losses	**(1,164)**	(7,671)	**—**	13,694
Other timing differences	**1,993**	(5,254)	**—**	280
	(1,211)	6,895	**—**	(17,636)

13 NET PROFIT FOR THE YEAR

The net profit for the year dealt with in the financial statements of the Company amounted to HK$528,758,000 (2000: HK$491,333,000).

14 DIVIDENDS

	2001	2000
	HK$'000	HK$'000
Interim dividend paid of 36 cents (2000: 30 cents) per share on 379,785,000 (2000: 378,000,000) shares	**136,723**	113,400
Proposed final dividend of 64 cents (2000: 85 cents) per share on 381,567,500 (2000: 379,785,000) shares	**244,203**	322,817
Underprovision of final dividend for prior year	**—**	292
	380,926	436,509

The final dividend of 64 cents (2000: 85 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

15 EARNINGS PER SHARE

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

	2001	2000
	HK$'000	HK$'000
Earnings for the purpose of basic and diluted earnings per shares	**231,246**	1,080,183

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**379,868**	377,858
Effect of dilutive potential ordinary shares from Employee Share Incentive Scheme	**1,509**	1,538
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**381,377**	379,396

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
The Group					
Cost					
At 1 January 2001	215,631	126,393	1,136,139	62,916	1,541,079
Currency realignment	(12,772)	(110)	(8,357)	(304)	(21,543)
Additions	6,839	23,680	119,260	3,294	153,073
Disposals	—	(627)	(2,858)	(408)	(3,893)
At 31 December 2001	209,698	149,336	1,244,184	65,498	1,668,716
Depreciation					
At 1 January 2001	85,771	111,117	549,654	25,743	772,285
Currency realignment	(5,358)	(45)	(4,029)	(252)	(9,684)
Provided for the year	11,022	12,677	113,411	14,665	151,775
Eliminated on disposals	—	(384)	(2,750)	(231)	(3,365)
At 31 December 2001	91,435	123,365	656,286	39,925	911,011
Net book values					
At 31 December 2001	118,263	25,971	587,898	25,573	757,705
At 31 December 2000	129,860	15,276	586,485	37,173	768,794

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying value of leasehold land and building shown above comprises:

	2001	2000
	HK$'000	HK$'000
Land and building outside Hong Kong:		
— Long leases	**10,598**	10,602
— Medium-term leases (Note)	**107,665**	119,258
	118,263	129,860

Amount includes an amount of HK$105,004,000 (2000: HK$119,258,000) relating to a building situated in Singapore on a piece of land leased from the Singapore Housing & Development Board on the payment of a yearly rental. The lease has a term of 30 years from 1 May 1990 and is renewable upon expiry for a further term of 30 years.

17 INVESTMENTS IN SUBSIDIARIES

	2001	2000
	HK$'000	HK$'000
Unlisted shares:		
At Directors' valuation	**83,155**	83,155
At cost	**63,441**	63,441
	146,596	146,596
Loans to subsidiaries	**248,827**	244,513
	395,423	391,109

Shares in the subsidiaries acquired pursuant to the group reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1988are stated at Directors' valuation. Other investments in subsidiaries are stated at cost.

The Directors' valuation of the investments in subsidiaries is based on the underlying net tangible asset values of the subsidiaries attributable to the Group as at the date of acquisition, and after netting off the receipt by the Company of dividends from the pre-reorganisation profit of the subsidiaries acquired.

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the principal subsidiaries at 31 December 2001 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share capital		Proportion of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
ASM Asia Limited	Hong Kong	HK$27,000	HK$1,000	100%	—	Providing purchasing services to group companies
ASM Assembly Automation Limited	Hong Kong	HK$100,000	HK$1,000	100%	—	Manufacture and sale of semiconductor equipment
ASM Assembly Equipment Bangkok Limited	Thailand	—	Baht7,000,000	—	100%	Agency and marketing service
ASM Assembly Equipment (M) Sdn. Bhd.	Malaysia	—	MYR10,000	—	100%	Agency and marketing service
ASM Assembly Equipment Trading (Shanghai) Co. Limited	PRC	—	US$200,000	—	100%	Trading in semiconductor equipment
ASM Assembly Materials Limited	Hong Kong	HK$2,000,000	HK$10,000	100%	—	Manufacture and marketing of semiconductor materials
ASM Assembly Products B.V.	Netherlands	—	DFL 40,000	100%	—	Trading in semiconductor equipment
ASM Assembly Technology Co., Limited	Japan	—	YEN10,000,000	100%	—	Trading in semiconductor equipment
ASM Pacific (Bermuda) Limited	Bermuda	—	US$120,000	—	100%	Insurance services to group companies
ASM Pacific International Marketing Limited	Cayman Islands	—	HK$100	100%	—	Investment holding
ASM Pacific Investments Limited	Hong Kong	—	HK$2	100%	—	Investment holding, agency and marketing services
ASM Pacific KOR Limited	Hong Kong	—	HK$500,000	100%	—	Marketing services in Korea
ASM Technology Singapore Pte Limited	Singapore	—	S$10,000,000	100%	—	Manufacture and sale of semiconductor equipment and materials
ASM Technology (M) Sdn. Bhd.	Malaysia	—	MYR7,000,000	100%	—	Manufacture of semiconductor equipment and materials

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the principal subsidiaries at 31 December 2001 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share capital		Proportion of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
Capital Equipment Distribution Limited	Guernsey, Channel Islands	—	HK$1,000	—	100%	Investment holding and provision of manufacturing and marketing infrastructure in Mainland China and Asia
Shenzhen ASM Micro Electronic Technology Co., Limited	PRC	—	(Note 1)	—	(Note 1)	Manufacture of parts of semiconductor equipment and materials
Shenzhen ASM Precision Machinery Manufactory Limited	PRC	—	(Note 2)	—	(Note 2)	Manufacture of parts of semiconductor equipment

Note 1: Under a joint venture agreement, the Group has committed to contribute 100% of the registered capital of HK$220,000,000 in Shenzhen ASM Micro Electronic Technology Co., Limited (“MET”), a co-operative joint venture company established in the PRC with a term of 10 years commencing from October 1994.

At 31 December 2001, the Group has paid up approximately HK$220,000,000 as registered capital of MET. The Group is to bear the entire risk and liabilities of MET and, other than a fixed annual amount attributable to assets contributed by the PRC joint venture partner, is entitled to the entire profit or loss of MET.

On cessation of the joint venture company, the Group will be entitled to all assets other than those contributed by the PRC joint venture partner and those irremovable building improvements.

17 INTVESTMENTS IN SUBSIDIARIES (CONTINUED)

Note 2: Under a joint venture agreement, the Group has contributed 88% of the registered capital of HK$45,224,000 in Shenzhen ASM Precision Machinery Manufactory Limited, a co-operative joint venture company in the PRC with a term of 10 years commencing from October 1990. On 28 June 2000, the term was approved to extend for further five years to October 2005. Under the joint venture agreement, the Group will be entitled to 100% of the joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the PRC joint venture partner. On cessation of the joint venture company, the Group will be entitled to all assets other than those contributed by the PRC joint venture partner and those irremovable building improvements.

All the principal subsidiaries operate predominantly in their respective place of incorporation/establishment unless specified otherwise under the heading "principal activities".

The fixed-rate participating shares of the subsidiaries are held by ASM International. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

No loan capital has been issued by any of the subsidiaries at any time during the year or is outstanding at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

18 INVENTORIES

	The Group	
	2001	2000
	HK$'000	HK$'000
Raw materials	**200,721**	273,605
Processed materials	**136,185**	195,734
Work in progress	**191,122**	176,033
Finished goods	**79,179**	46,437
	607,207	691,809

At 31 December 2001, inventories amounted to HK$21,649,000(2000: HK$13,146,000) are stated at their net realisable value.

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivable	**269,900**	695,092	**—**	—
Other receivable, deposits and prepayments	**43,406**	76,040	**901**	1,167
Amounts due from ASM International group companies — trade (Note)	**8,483**	17,390	**468**	468
	321,789	788,522	**1,369**	1,635
Aging analysis of trade receivable is as follows:				
Not yet due	**149,971**	318,867	**—**	—
Overdue within 30 days	**62,789**	189,516	**—**	—
Overdue within 31 to 60 days	**25,095**	110,122	**—**	—
Overdue within 61 to 90 days	**19,518**	44,080	**—**	—
Overdue over 90 days	**12,527**	32,507	**—**	—
	269,900	695,092	**—**	—

Credit policy:

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 to 60 days of issuance, except for certain well established customers, where the terms are extended to 3 to 4 months. Each customer has a maximum credit limit.

Note: Amounts due from ASM International group companies are unsecured, non-interest bearing and repayable according to normal trade terms.

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payable	**96,816**	395,657	**—**	—
Other payable and accrued charges	**169,253**	297,350	**868**	2,785
Amounts due to ASM International group companies — trade (Note)	**329**	1,047	**—**	961
	266,398	694,054	**868**	3,746
Aging analysis of trade payable is as follows:				
Not yet due	**47,350**	227,838	**—**	—
Overdue within 30 days	**22,214**	100,416	**—**	—
Overdue within 31 to 60 days	**15,964**	60,676	**—**	—
Overdue within 61 to 90 days	**8,639**	3,026	**—**	—
Overdue over 90 days	**2,649**	3,701	**—**	—
	96,816	395,657	**—**	—

Note: Amounts due to ASM International group companies are unsecured, non-interest bearing and repayable according to normal trade terms.

21 SHORT-TERM BANK BORROWINGS

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**28,468**	—	**28,468**	—
Bank overdrafts	**5**	30	**—**	29
	28,473	30	**28,468**	29

22 SHARE CAPITAL

	2001	2000
	HK$'000	HK$'000
Issued and fully paid:		
Shares of HK$0.10 each		
– At 1 January	**37,979**	37,696
– Shares issued under the Employee Share Incentive Scheme	**178**	283
– At 31 December	**38,157**	37,979

The authorised share capital of the Company is HK$50 million, comprising 500 million shares of HK$0.10 each.

During the year, 1,782,500 shares were issued, for cash at par, to eligible employees and members of management under the Employee Share Incentive Scheme.

On 7 February 2002, the Group resolved to contribute HK$180,000 to the Employee Share Incentive Scheme enabling the trustees of the Scheme to subscribe for a total of 1,800,000 shares at par in the Company upon the expiry of a defined qualification period.

23 RESERVES

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share premium				
At 1 January and 31 December	**126,528**	126,528	**126,528**	126,528
Special reserve				
At 1 January and 31 December	**—**	—	**56,144**	56,144
Capital reserve				
At 1 January and 31 December	**70,944**	70,944	**—**	—
Exchange reserve				
At 1 January	**(66,537)**	(44,428)	**—**	—
Currency realignment on translation of financial statements of overseas operations	**(36,437)**	(22,109)	**—**	—
At 31 December	**(102,974)**	(66,537)	**—**	—
Retained profits				
At 1 January	**1,601,869**	958,195	**496,736**	441,912
Net profit for the year	**231,246**	1,080,183	**528,758**	491,333
Dividends (note 14)	**(380,926)**	(436,509)	**(380,926)**	(436,509)
At 31 December	**1,452,189**	1,601,869	**644,568**	496,736
Total reserves	**1,546,687**	1,732,804	**827,240**	679,408

The special reserve represents the difference between the nominal amount of the share capital issued by the Company and the book value of the underlying net assets of subsidiaries acquired as a result of the Group's reorganisation in 1988 in preparation for the Company's listing on The Stock Exchange of Hong Kong Limited, after netting off the receipt by the Company of dividends from the pre-reorganisation profit.

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong, amounted to HK$888,771,000 (2000: HK$819,553,000), as in accordance with the Company's Articles of Association, dividends can only be distributed out of profits of the Company.

24 DEFERRED TAXATION

	The Group	
	2001	2000
	HK$'000	HK$'000
Balance at beginning of the year	**16,427**	9,532
(Credit) charge for the year (note12)	**(1,211)**	6,895
Balance at end of the year	**15,216**	16,427

At 31 December 2001, the major components of deferred taxation liability (asset) provided of the Group are as follows:

	The Group	
	2001	2000
	HK$'000	HK$'000
Tax effect of timing differences attributable to :		
Excess of depreciation allowances for tax purposes over depreciation charged in the financial statements	**27,265**	29,305
Unutilised taxation losses carried forward	**(8,835)**	(7,671)
Other timing differences	**(3,214)**	(5,207)
	15,216	16,427

The Company and the Group had no significant unprovided deferred taxation for the year or at the balance sheet date.

25 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK$'000	2000 HK$'000
Profit before taxation	249,126	1,175,215
Depreciation	151,775	180,862
Loss on disposal of property, plant and equipment	302	68,339
Income from marketable securities	—	(2,125)
Bank interest income	(22,212)	(23,050)
Interest expenses	155	3,132
Foreign exchange losses on financing	—	2,416
Effect of foreign exchange rate changes on inter-company balances	(11,666)	(22,530)
Decrease (increase) in inventories	66,229	(222,914)
Decrease (increase) in trade and other receivable	452,218	(136,766)
Decrease (increase) in amounts due from ASM International group companies – trade	8,906	(11,827)
(Decrease) increase in trade and other payable	(410,984)	169,887
(Decrease) increase in amounts due to ASM International group companies – trade	(719)	266
Net cash inflow from operating activities	483,130	1,180,905

26 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2001 HK$'000	2000 HK$'000
Share capital and premium:		
At 1 January	**164,507**	164,224
New shares issued	**178**	283
At 31 December	**164,685**	164,507
Bank loans:		
At 1 January	**—**	154,248
Currency realignment	**—**	(2,414)
New bank loans raised	**28,468**	—
Repayments	**—**	(154,250)
Foreign exchange losses	**—**	2,416
At 31 December	**28,468**	—

27 ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK$'000	2000 HK$'000
Bank balances and cash	**478,487**	648,804
Bank overdrafts	**(5)**	(30)
	478,482	648,774

28 CONTINGENT LIABILITIES

	The Group	
	2001	2000
	HK$'000	HK$'000
Guarantees given	**1,180**	7,389

	The Company	
	2001	2000
	HK$'000	HK$'000
Guarantees given to bankers in respect of general banking facilities granted to subsidiaries — extent of banking facilities utilised	**—**	29

29 CAPITAL COMMITMENTS

	The Group	
	2001	2000
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**18,590**	83,622
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**128,336**	111,366
	146,926	194,988

The Company had no significant capital commitments at the balance sheet date.

30 OPERATING LEASE COMMITMENTS

At 31 December 2001, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	The Group	
	2001	2000
	HK$'000	HK$'000
Within one year	**30,055**	35,023
In the second to fifth year inclusive	**49,220**	66,963
Over five years	**41,639**	43,547
	120,914	145,533

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties and quarters. Except for the lease in respect of a piece of land rented from the Singapore Housing & Development Board (details of which are set out in note 16), other leasesare negotiated for an average terms of two to five years.

The Company had no operating lease commitments at the balance sheet date.

31 RELATED PARTY TRANSACTIONS

During the year, the Group paid an annual management fee of HK$1,500,000 (2000:HK$1,500,000) to ASM International under a consultancy agreement between ASM International and the Company. Pursuant to the agreement, ASM International acts as a consultant, introduces new business and provides assistance in business development, general management support and services, international expertise and market information to the Group. The agreement, which commenced on 5 December 1988, was for an initial period ofthree years and is terminable thereafter by six months' notice in writing by either party.

The Group also trades with ASM International group of companies in its normal course of business and in the opinion of the Directors, the transactions were carried out at market price. Sales to ASM International group of companies during the year amounted to HK$13,522,000 (2000: HK$22,175,000).

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2001	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**1,560,227**	3,989,130	1,890,869	1,325,341	1,464,409
Profit before taxation	**249,126**	1,175,215	349,145	121,748	218,305
Taxation	**(17,880)**	(95,032)	(18,995)	(8,761)	(15,685)
Net profit for the year	**231,246**	1,080,183	330,150	112,987	202,620

	At 31 December				
	2001	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Non-current assets	**757,705**	768,794	677,378	629,274	616,011
Current assets	**1,407,483**	2,129,135	1,305,344	850,337	949,292
Current liabilities	**(320,925)**	(787,902)	(718,707)	(366,233)	(396,157)
Net current assets	**1,086,558**	1,341,233	586,637	484,104	553,135
Non-current liabilities	**(15,216)**	(16,427)	(9,532)	(90,557)	(165,281)
Shareholders' equity	**1,829,047**	2,093,600	1,254,483	1,022,821	1,003,865

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SUBSIDIARIES

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ASM Assembly Automation Limited

ASM Assembly Materials Limited

ASM Technology Singapore Pte. Limited

ASM Technology (M) Sdn. Bhd.

ASM Precision Machinery
Manufactory Ltd., Shenzhen

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