ASM Pacific Technology Limited

2000 Annual Report and Accounts

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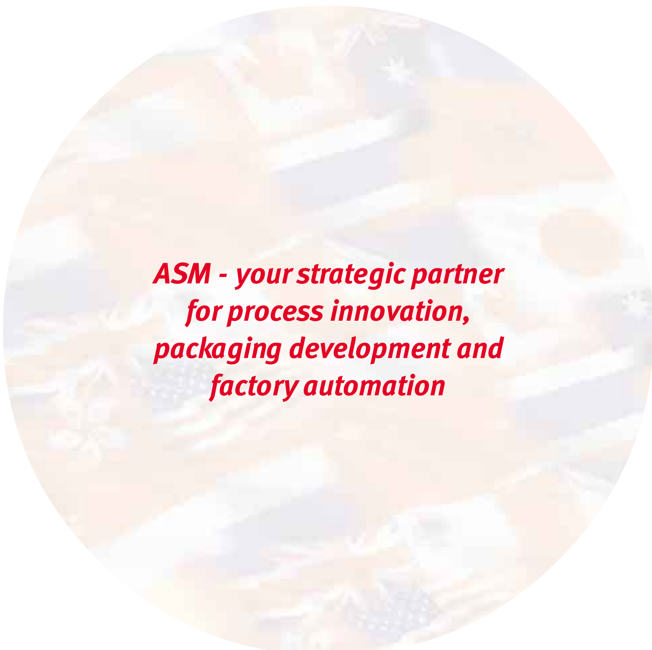
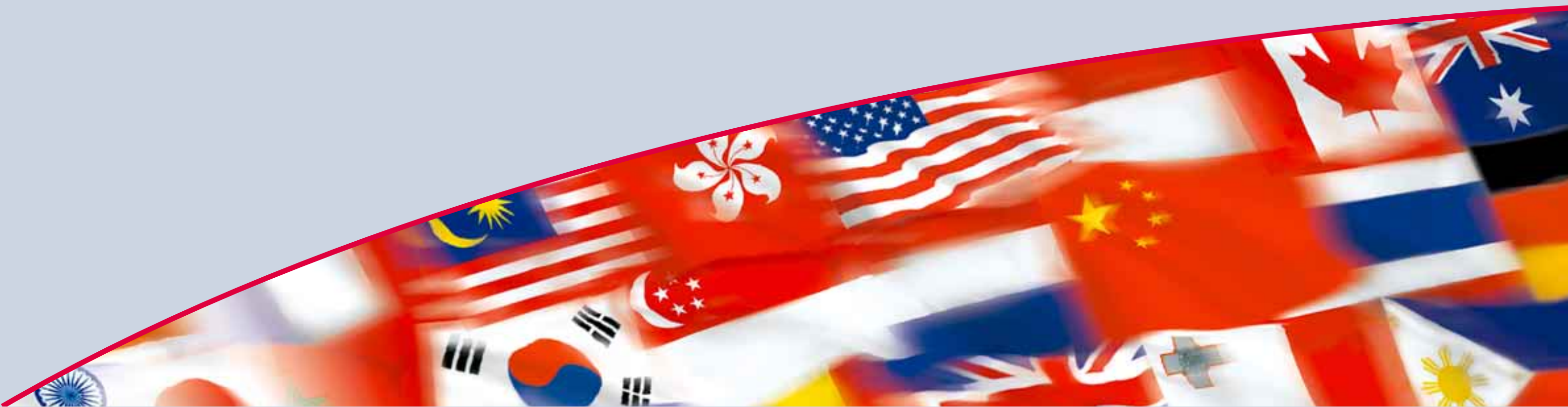


ASM - your strategic partner for process innovation, packaging development and factory automation

ASM Pacific Technology Limited

In the year 2000 ASM achieved record turnover and surpassed the US$500 million milestone for the first time. Revenue growth reached its highest level in the Company's history, achieving a gain of 111%. With this turnover, ASM becomes the world's second largest semiconductor assembly equipment manufacturer, breaks all companies' previous years' sales records in the assembly equipment industry and is second only to the industry leader's year 2000 revenue.



Corporate Information

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

The Sanwa 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

Tengis Limited

4th Floor Hutchison House

10 Harcourt Road

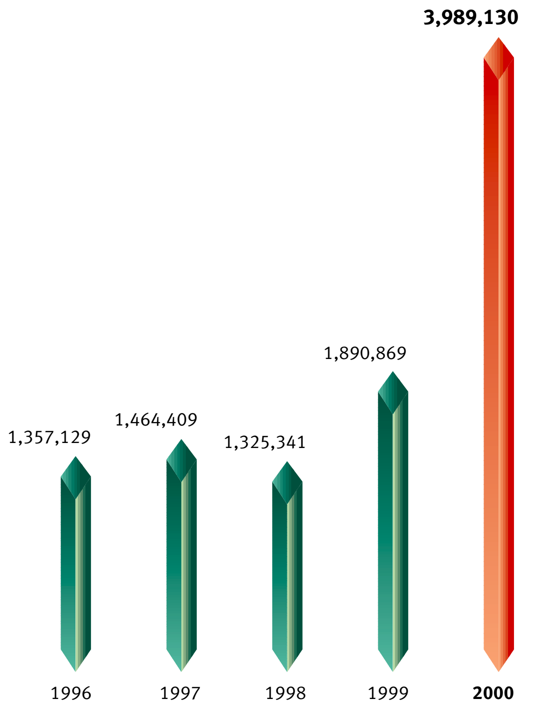
Central

Hong Kong

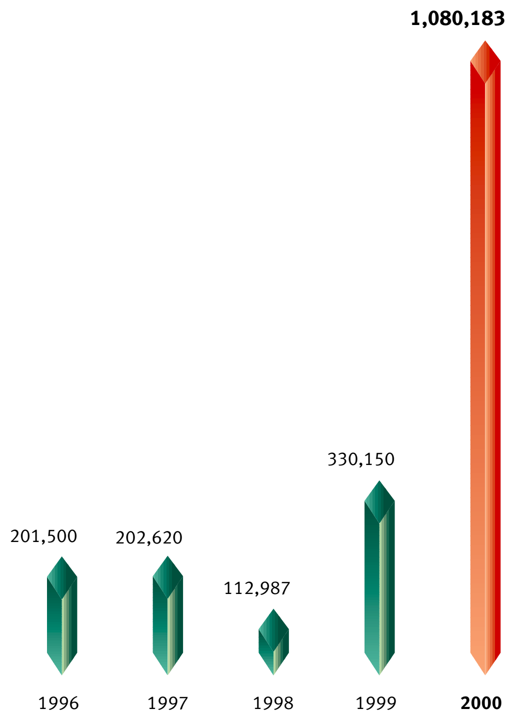
For the year ended 31 December 2000

	2000	1999
	HK$'000	HK$'000
Turnover	**3,989,130**	1,890,869
Cost of sales	**(2,171,732)**	(1,111,871)
Gross profit	**1,817,398**	778,998
Other revenue	**32,519**	6,658
Selling expenses	**(281,564)**	(154,886)
General and administrative expenses	**(170,520)**	(120,111)
Research and development expenses, net	**(219,486)**	(145,812)
Profit from operations	**1,178,347**	364,847
Finance costs	**(3,132)**	(15,702)
Profit before taxation	**1,175,215**	349,145
Taxation	**(95,032)**	(18,995)
Net profit for the year	**1,080,183**	330,150
Dividends	**(436,509)**	(131,809)
Profit for the year, retained	**643,674**	198,341
Earnings per share — Basic	**HK$2.86**	HK$0.88
— Diluted	**HK$2.85**	HK$0.88

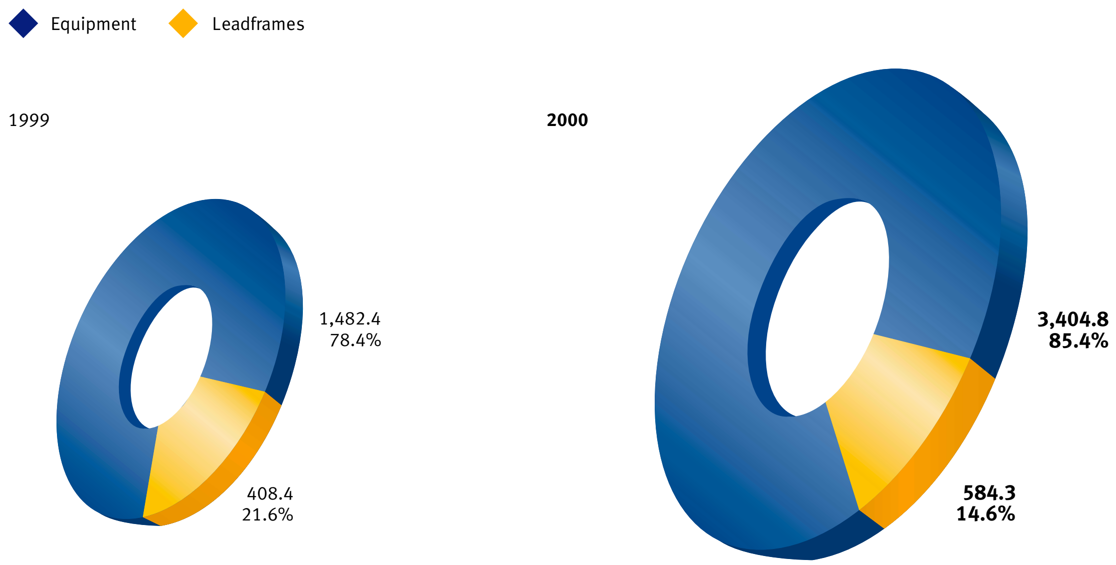
TURNOVER (HK$'000)



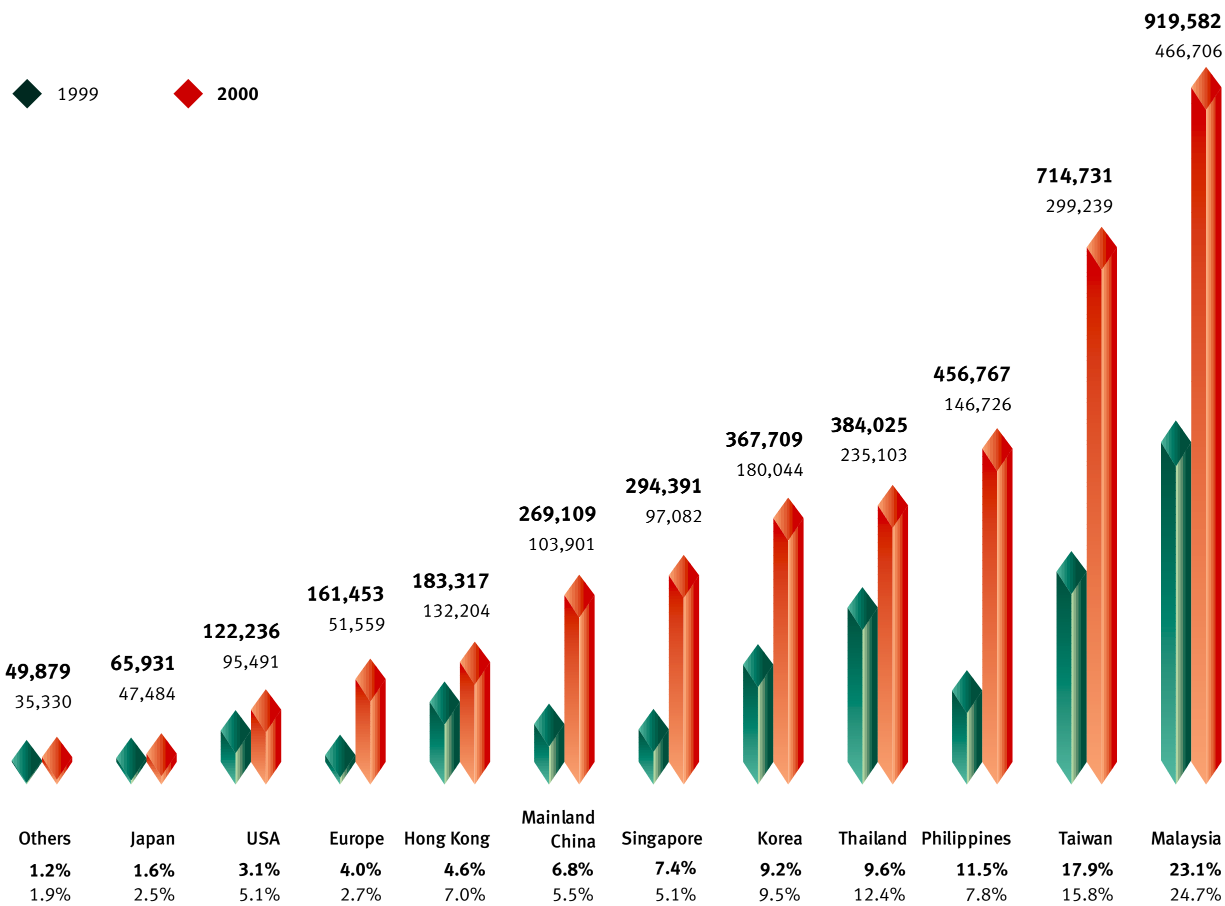
NET PROFIT FOR THE YEAR (HK$'000)



TURNOVER BY PRODUCTS (HK$Million)



TURNOVER BY GEOGRAPHICAL LOCATION (HK$'000)



RESULTS

We are pleased to report that the ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved record turnover amounting to HK$3,989,130,000 in the fiscal year ended 31 December 2000, representing a 111% increase as compared with HK$1,890,869,000 for the previous year. The Group's net profit for the year was HK$1,080,183,000, which is more than 3.27 times the previous year's net profit of HK$330,150,000. Basic earnings per share for the year amounted to HK$2.86 (1999: HK$0.88).

DIVIDEND

An interim dividend of HK$0.30 (1999: HK$0.07) per share was paid in August 2000. The Board of Directors recommends a final dividend of HK$0.85 (1999: HK$0.28) per share payable on or around 24 April 2001, making a total payment of HK$1.15 (1999: HK$0.35) per share for the year ended 31 December 2000.

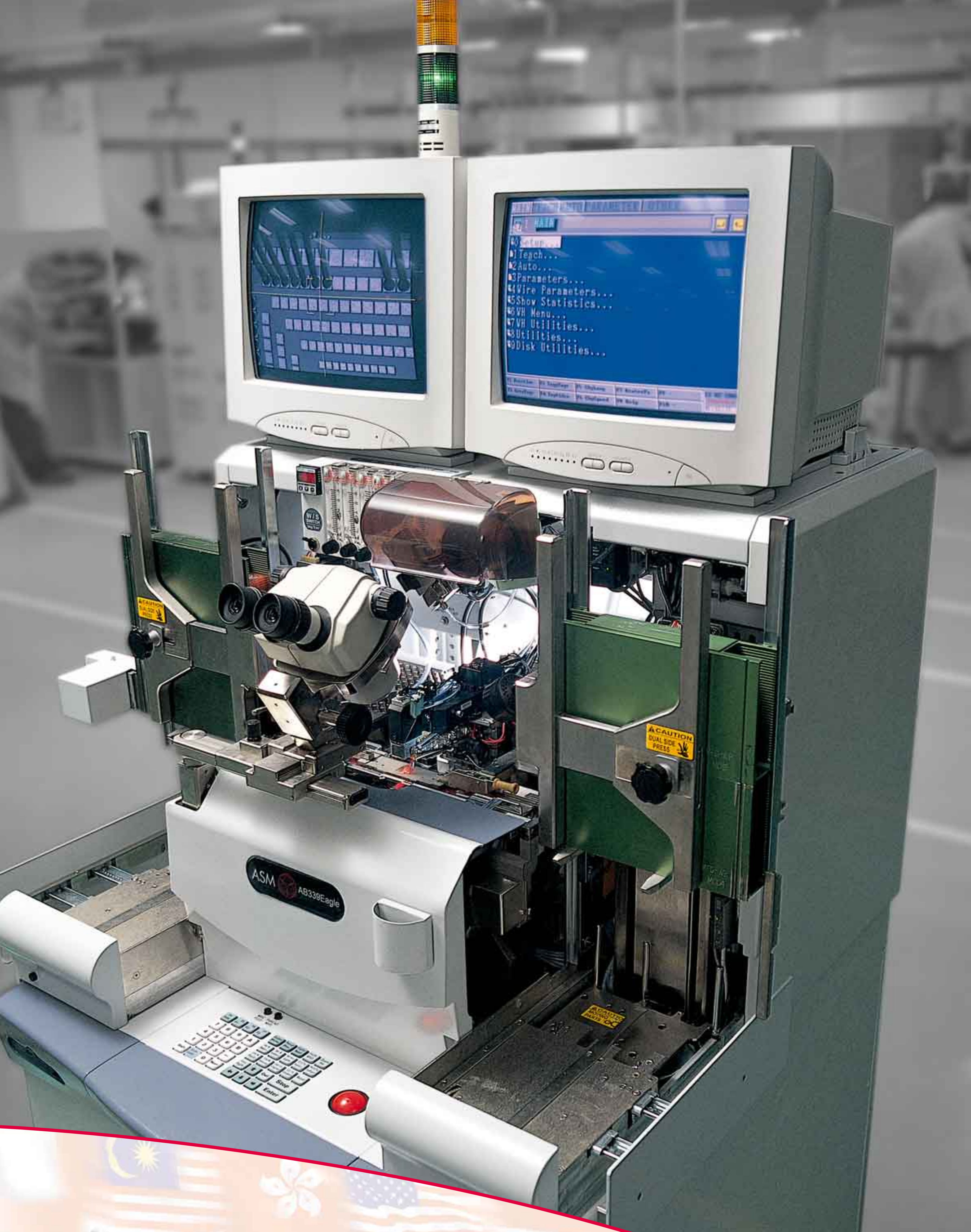
REVIEW

In fiscal 2000 ASM achieved record turnover and surpassed the US$500 million milestone for the first time. Revenue growth reached its highest level in the Company's history, achieving a gain of 111%. Sales increases came from all lines, in particular, our assembly equipment products that now account for over 85% of our total business. Riding our market share gain in the last three years, our assembly equipment business rose by 129% to exceed US$437million.

With this turnover, ASM becomes the world's second largest semiconductor assembly equipment manufacturer, breaks all companies' previous years' sales records in the assembly equipment industry and is second only to the industry leader's year 2000 revenue.

Strong demands from the PC sector, reinforced by fast-expanding information appliance, Internet infrastructure, telecommunication and consumer markets, meant the semiconductor industry once again experienced vigorous growth in year 2000. SIA, Dataquest, IC Insights and VLSI Research all projected a 37% increase to US$204 billion.

According to VLSI Research, demands for semiconductor assembly equipment increased by over 80% during year 2000. However, excess inventory at manufacturers and chip distributors caused a correction during the 4th quarter, resulting in a significant slowdown since then.



Featuring 35µm pad pitch capability, 20-30% productivity gain, improved bond quality, enhanced impact force and loop profile control capabilities, our AB339 Eagle gold wire bonder entered the mass production phase as planned in the 4th quarter of 2000

While other competitors faced difficulties during the last few months, our 2nd half billings exceeded that of the first by 6%. In fact, we beat the assembly equipment industry leader by a wide margin in our 4th quarter sales. The main revenue contributors were our gold wire and die bonder businesses, achieving the second and third positions in the industry and representing over 70% of our equipment turnover.

One of ASM's main strengths is the differentiated structure of its client base: apart from a diversified product range, a healthy balance exists between integrated device manufacturers (IDMs) and packaging foundries (subcons); large, medium and small size customers, as well as geographical and application markets. Last year our turnover grew in all territories, creating an even better balance. Malaysia (23.1%), Taiwan (17.9%), Philippines (11.5%), Thailand (9.6%) and Korea (9.2%) represent the five largest geographical markets.

Linear motor assembly in China factory

Module assembly in Malaysia factory

Expanded sales led to significant operating leverage, resulting in improved gross and net margins. Our unprecedented net profit was more than three times the previous year, generating an excellent return on capital employed of 65.9%. Apart from funding our aggressive capital investments and repaying all debts, this outstanding financial performance contributed to strong liquidity, resulting in a current ratio of 1.92. Order backlog at the end of the year exceeded US$120 million.

To cope with market demands and to keep our delivery lead-time acceptable to our customers, we took major steps in expanding our China factory, installed a large number of CNC machines and created two satellite plants near-by. The enlarged 600,000 sq.ft. facility should provide room for future expansion. Our Malaysian factory also began operation early in the year. Now with 68 staff, it has become an integral support base for our Singapore plant.

Capital investments last year amounted to US$44.7 million, with most used to enlarge our production capacity, whilst the balance provided enhanced capabilities in R&D, analytical equipment, computer-aided design, manufacturing and engineering packages, as well as computer hardware and software to strengthen the Company's information system and communication network.

Featuring 35µm pad pitch capability, 20 - 30% productivity gain, improved bond quality, with enhanced impact force and loop profile control capabilities, our AB339 Eagle gold wire bonder entered the mass production phase as planned in the 4th quarter. We have successfully converted our existing bonder customers, with our top three clients all taking deliveries of this new generation machine. Concurrently, we shipped evaluation machines to a number of large potential customers, both IDMs and subcons. Initial feedbacks from these benchmarking exercises are encouraging.

Our IDEALine concept has been well received as a solution for factory automation, especially for those high-density matrix substrates. Together with our process and packaging development support to customers, such unique value-added services differentiate ASM from our competitors and foster closer ties with our clients.

We also made pleasing progress with strip-testing, integrated with other backend processes. Several systems have been delivered to three factory locations and we captured some repeat orders. ASM is currently the frontrunner in this sector, with proven capability and systems running production in the field.

Over 100 complete or segmented IDEALine are now operating in the field at various customer factories

PROSPECTS

With the supply chain inventory adjustment still on, end product demands not rising as rapidly as in the past and a slowing U.S. economy, industry analysts have trimmed their forecasts for the semiconductor industry to 5 - 7% growth for year 2001. Installed capacity is continuing to come on stream and in view of slowing demands, most semiconductor companies have announced a reduction in capital expenditure spending, resulting in flat to 20% negative investment growth forecasts by various analysts. Order inflow visibility for capacity related products is low for the coming months, due to the current under-loading situation for most customers. It is likely that it will take a few more months for the current pessimism to clear.

ASM achieved a record high equipment turnover of US$437.5 million with an unprecedented growth rate of 129%, and now ranked second by revenue among the world's semiconductor assembly equipment manufacturers

Over 20 customers are working with us where we provide technical support and advice to them for the design of QFN leadframes, addressing the various process issues such as wire bonding, encapsulation and de-taping

However, ASM's management believes industry will continue to make investments related to enhanced technology like finer pad pitch wire bonder to meet the die shrink requirement, new chip-scale packaging challenge like QFN, and specific equipment to cope with the market demand of a package type.

As noted above, ASM's assembly equipment business is built on diversified products addressing different semiconductor assembly and packaging processes, serving wide application markets and strategically spread among IDMs and subcons, sizes and locations of customers. These stabilizing factors have dampened the industry fluctuations for ASM in the past, and together with our significantly improved market position in the last three years, should be helpful in ensuring a more resilient ASM that outperforms the industry.

Furthermore, this temporary soft market has its opportunities, allowing us time to make a smoother transition to the high performance AB339 Eagle wire bonder. It also permits potential customers to run evaluations, similar to 1998, giving ASM the opportunity to gain market share.

Training our design engineers CAE techniques to develop reliable products

Naturally it is now prudent to control costs. However, we will also prepare ourselves sufficiently to meet the delivery challenge when the market rebounds strongly. With our strong balance sheet, while other competitors started to cut back, we intend to beef up our human resources to support customers in factory automation, process and packaging development, and speed up our technology and product development to both solidify and enhance our leading market position. Capital investment of US$25 million is planned for the year.

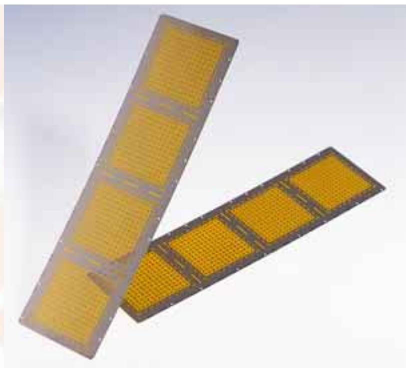
Important new products will also provide support for our aggressive marketing program. Based on high performance control technology and linear motors, we are preparing a new generation IC die bonder capable of 200 and 300 mm. diameter wafers, 30% higher throughput than current model, with improved placement accuracy and bondline thickness; it will be ready for market launch in mid-2001. Similarly, after months of process and product development, our high performance, low cost flip chip bonder will be introduced during this year. To complete our modules for ASM's backend cluster, specifically for solder ball array packages, an integrated, small foot print ball placement, reflow and rinsing system is targeted for completion during 2001.

We have already provided technical support to customers in the QFN packaging development, designed and fabricated etched leadframes, solved their wire bonding problems, developed new processing modules (e.g. de-taping) and provided in-line automation solutions. Our intention is to create strategic partnerships with customers to have their integrated circuits (ICs) built on ASM leadframes and manufacturing processes qualified with ASM equipment.

The short-term market correction may prove to be ASM's golden opportunity to gain significant market share. We intend to capitalise on it and anticipate our shareholders will give us their full support.

Progressive leadframe stamping die

Etched QFN leadframes



APPRECIATION

Last year was a truly outstanding year for ASM. The huge revenue growth is a testament to the tremendous efforts put in by all our staff, who have met the challenge of ramping up our production so rapidly. The Group's Board gratefully acknowledges their dedication and diligence, and is confident that the solid achievements in year 2000 have laid the groundwork for future progress that will withstand market fluctuations.

Arthur H. del Prado

Chairman

12 February 2001

Our strategy of offering our customers a total packaging solution in the leadframe or metal-based substrate chip scale package (CSP) known as QFN (quad flat pack no lead), has propelled ASM to a leading position

The quantum leap in equipment revenue led to improved gross and net margins, resulting in a record profit of HK$1.08 billion for the Group and an unprecedented profit growth rate of 227%

OVERVIEW

Driven by robust demand from the personal computer and telecommunication sectors and building on the heavy momentum it gathered in 1999, the semiconductor industry experienced three strong quarters in the year 2000. When the market for electronic goods softened, the industry entered into an inventory adjustment phase that began in October and has continued since. Overall, the semiconductor industry registered a 37% growth to US$204 billion last year.

With our world-class products and a solid business foundation laid over the last decade, ASM seized this market opportunity and delivered outstanding results. Group turnover more than doubled to reach US$512.5 million, with our die and gold wire bonders contributing the major portion of the increase. Sales growth was experienced in all products and territorial markets.

In spite of the market softening towards the end of 2000, our strong order backlog resulted in our second half billings being 6% higher than the first half year, which itself had already registered a 61% increase over the preceding six months.

The quantum leap in equipment revenue led to improved gross and net margins, resulting in a record profit of HK$1.08 billion for the Group and an unprecedented profit growth rate of 227%. In fact, this is the second consecutive year that we attained record turnover and unprecedented profit. We also achieved high asset utilization and excellent returns for our shareholders, with an inventory turn of 6.91, and return on sales and return on equity boosted to 28.9% and 61.0% respectively.

The second half of the year saw ASM launch a new generation of gold and aluminium wire bonders, the AB339 Eagle and the AB520. In addition to preparing ourselves for volume production, we have successfully converted the existing gold wire bonder customers to the enhanced version. Furthermore, we sent the new Eagle wire bonder to a number of potential customers for field evaluation, and preliminary feedback from these benchmarking tests is encouraging.

Leveraging our broad-based assembly process technologies and expertise in microelectronics packaging and factory automation, we differentiate ourselves from other competitors by offering technical support to customers' packaging development. This business strategy helps to solidify our strategic partnership with many customers, as well as enhancing the marketability of our equipment and leadframe products. Currently we are providing technical solutions to customers in the design of QFN leadframes, the establishment of various CSP manufacturing processes and addressing their in-line factory automation needs.

OVERVIEW (continued)

Due to the semiconductor industry's current inventory correction and the slowing of the U.S. economy, it appears we have a challenging year ahead of us. However, it is also a golden opportunity to gain market share. With our diversified products addressing different application markets and some of the new hot CSP packages, our spread of customers and territorial bases, our significantly improved market position gained in the last three years and our strong balance sheet, we believe ASM will once again weather the industry fluctuation and come out ahead of its competition.

CSAM analysis

ASM's CSP singulation equipment

MARKET AND PRODUCT DEVELOPMENT

Equipment Division

Last year ASM achieved a record turnover of US$437.5 million with an unprecedented growth rate of 129%, and now ranks second by revenue among the world's semiconductor assembly equipment manufacturers. Equipment sales represent 85.4% of the Group's turnover.

With other leading assembly equipment manufacturers only growing around 75% in calendar year 2000, ASM has clearly been gaining market share. In fact, in the 4th quarter our die and wire bonder revenue alone already exceeded that of the industry leader. Die and gold wire bonders contributed slightly more than 70% of our equip-ment turnover, while the balance was spread over aluminium wire, factory automation and various types of package related equipment, creating a healthy product portfolio.

More customers, especially for addressing high-density matrix substrates, have accepted our IDEALine factory automation. Over 100 complete or segmented lines are now operating in the field at various customer factories. We expect the market momentum to continue.

The AB339 Eagle product transition took place as planned. We successfully converted our existing wire bonder customers to this new model, as well as introducing it to a number of potential customers who are running evaluations. Initial results of these field tests are encouraging.

To cope with market demands and to keep our delivery leadtime acceptable to our customers, we took major steps in expanding our China factory, installed a large number of CNC machines and created two satellite plants near-by

Die and gold wire bonders contributed slightly more than 70% of our equipment turnover, while the balance was spread over aluminium wire bonder, factory automation and various types of package related equipment, creating a healthy product portfolio

Equipment Division (continued)

Good progress has also been made with our various types of post-encapsulation equipment. With the wider adoption of chip scale packages (CSP) especially for CSBGA and QFN, we have carved out a leading position in the saw singulation, pick and place system market sector. We also provided strip-testing for both leaded and ball array packages, standalone or integrated with other backend processes, and have installations in three factory locations. ASM is currently the forerunner in this strip-testing arena, which may prove to be a far more cost-effective testing solution for some integrated circuits (ICs).

Leadframe Division

Focusing on offering high density matrix stamped frames, fine pitch etched and palladium plated frames, our leadframe revenues grew 43% last year to reach US$75 million, representing 14.6% of the Group's turnover.

Our strategy of offering our customers a total packaging solution in the leadframe or metal-based substrate chip scale package (CSP) known as QFN (quad flat pack no-lead), has propelled ASM to a leading market position. Over 20 customers are working with us where we provide technical support and advice to them for the design of QFN leadframes, addressing the various process issues such as wire bonding, encapsulation and de-taping.

To meet the upcoming challenge of producing QFN leadframes in volume, we have ordered additional laser plotter, UV developer, etching and plating machines, to better prepare ourselves and to capitalise on this market opportunity.

CAPACITY AND PLANT DEVELOPMENT

To cope with increased demands for all our products, last year we rapidly expanded our production facilities and increased the headcount in our China factory. We also completed the establishment of two satellite plants, both in the Shatoujiao area, and altogether our China factories now occupy over 600,000 sq.ft.

By fast implementation of additional die casting and CNC machining facilities, we successfully raised our in-house production capacity of fabricated parts, resulting in more than a doubling of our die bonder output and the production of 300 sets of gold wire bonders per month. We should have sufficient fabricated parts manufacturing capacity to deal with anticipated rise in demand occurring in the next 1–2 years.

CAPACITY AND PLANT DEVELOPMENT (continued)

Capital investment in 2000 amounted to HK$349 million, a higher spending than foreseen last year but essential to deal with our exceptional, and profitable, business expansion.

More typical of previous years, we have budgeted HK$200 million for 2001, mainly for analytical equipment, hardware and software to support R&D and management information, stamping dies for additional matrix leadframe products offerings, various production machines for QFN etched frames, and to further enhance our production capabilities.

Quality control of critical components

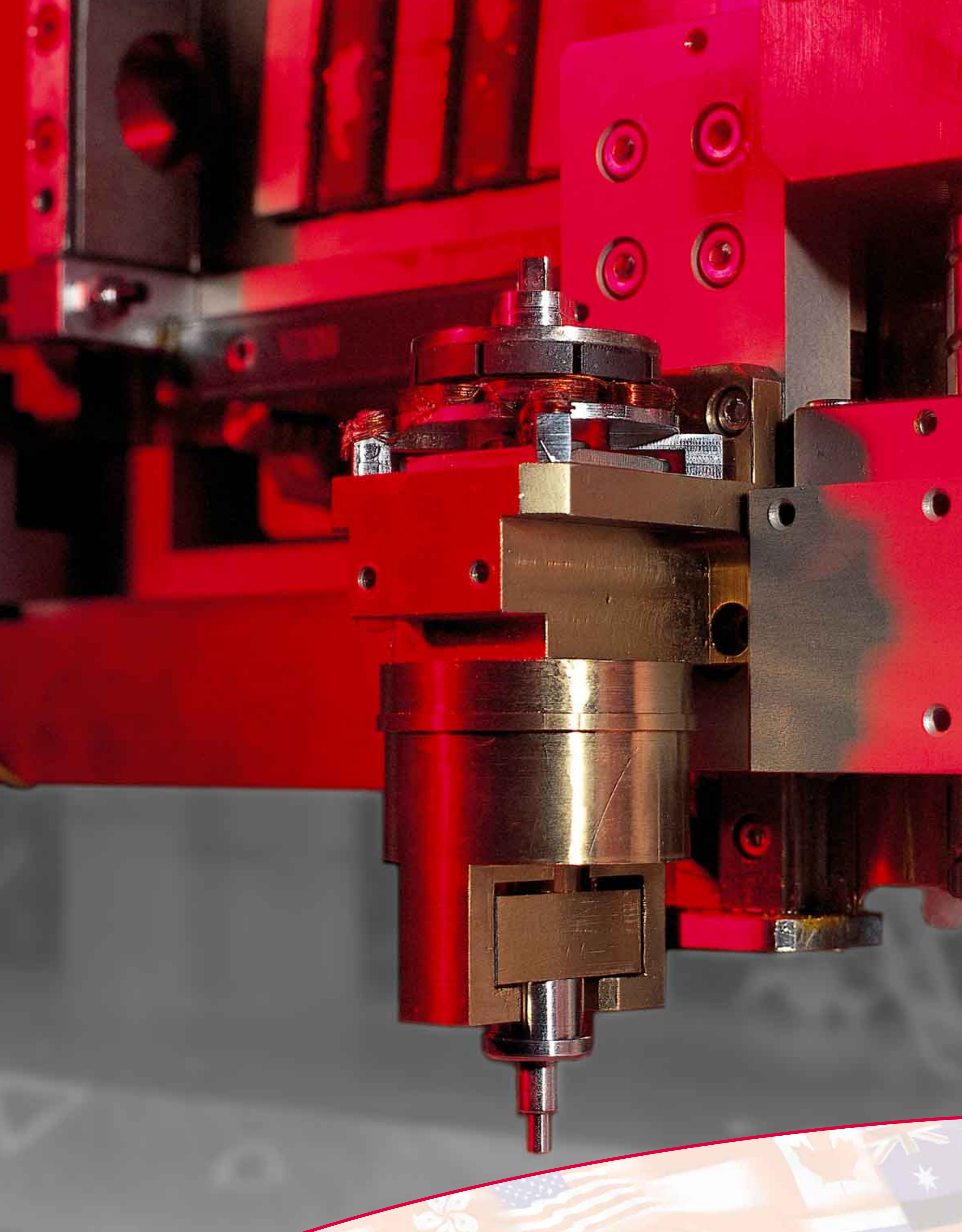
CNC machine in Malaysia factory

RESEARCH AND DEVELOPMENT

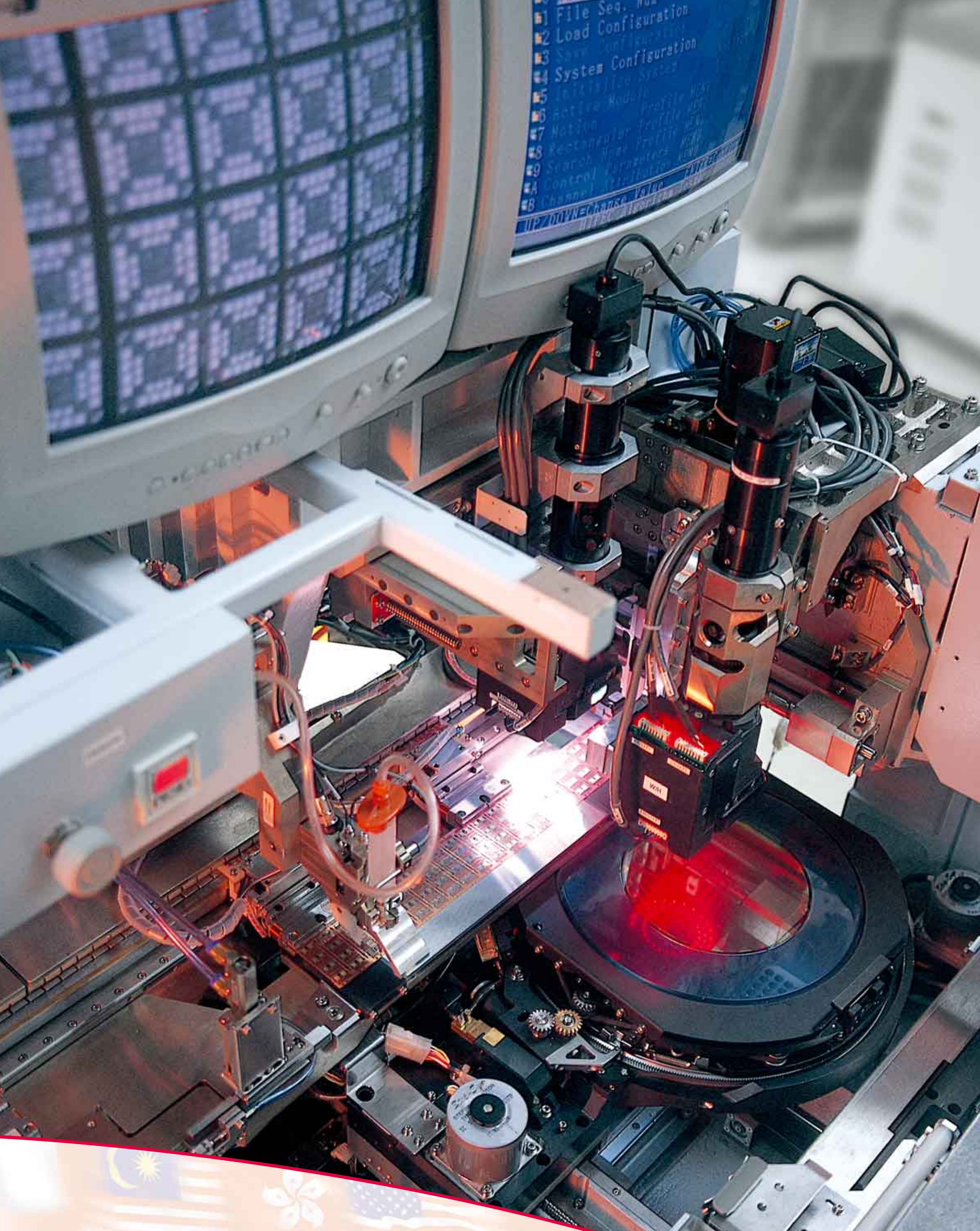
ASM's research and product development goals are to create state-of-the-art products and cost effective solutions for our customers. We have also learnt that product time-to-market is a key to our company's success, so it is vital we innovate faster than our competitors.

To this end, it is our philosophy to spend 10% of our equipment sales on R&D. But as our assembly equipment product revenue went up by 129% last year, even though our gross R&D spending rose by 50% to HK$219.5 million, it only represented 6.6% of our equipment sales.

Nevertheless, our expanded program produced tremendous results. It not only funded new generations of existing products, but also our research efforts in wire bonding, epoxy dispensing, moulding process, new composite materials, packaging development (especially for QFN) and other fields.



To address the growing flip chip in package niche market, we have conducted extensive process and prototype development in the last two years. Revenue contribution from this new flip chip bonder is expected to start in the year 2002



Based on high performance control technology and linear motors, featuring 30% higher throughput, improved placement accuracy and bondline thickness, our new IC die bonder will be ready for market launch in mid-2001

RESEARCH AND DEVELOPMENT (continued)

The development of a new series of equipment for the manufacturing of chip scale (CSP) and ball grid array (BGA) packages was accelerated, furthering our aim of providing integrated assembly lines or systems for both leaded, non-leaded and solder ball array products.

To broaden our in-house technology and product development, we also funded some exploratory research projects with universities and research institutes. We work closely with our vendors and extensively test the critical components or modules supplied by them. We also team up with other equipment and material suppliers, to provide packaging and automation solutions for our customers.

In year 2001, we have a program to launch many new and exciting products. Based on multi-phase linear motors and advanced motion control technology, we are developing a new generation IC die bonder capable of 200 and 300 mm diameter wafers, scheduled for market introduction in mid-2001. Major improvements over current models include 30% higher productivity, smaller footprint, better die placement accuracy, plus improved impact force control and bondline thickness.

Similarly, to address the growing flip chip in package niche market, we have conducted extensive process and prototype development in the past two years. Revenue contribution from this new flip chip bonder is expected to start in the year 2002.

We have been developing and offering a host of post-encapsulation equipment for the ball array packages and QFN. While we have built a quality customer base for CSBGA and QFN singulation plus pick and place system, we intend to strengthen our market position by providing a complementary in-line strip test process. To meet the 0.4 mm solder ball pitch challenge, we target to complete an integrated ball placement, reflow and rinsing system, taking up only half of major competitors' machines floor area, before the end of 2001.

FINANCIAL

ASM's current strong financial position is not only the result of last year's outstanding revenue performance, but is built on our conservative fiscal policy, shrewd investment planning and strict liquidity control.

2000 was a strong growth year for the semiconductor and assembly equipment industries. With sales more than doubling, ASM achieved record profit and strong liquidity. Current ratio stood at a healthy level of 1.92, despite a HK$332.8 million proposed dividend in the current liabilities. Cash on hand at the end of the year amounted to HK$648.8 million.

Stringent control on account receivables and diligent collection efforts resulted in 65 days sales outstanding, a major improvement over the previous years. Management has closely scrutinized all receivable accounts and concluded that bad debt exposure, if any, is immaterial and well covered by provisions made according to the Company's policy. With the major increase in turnover, asset utilization improved significantly resulting in an inventory turn of 6.91 (1999: 4.86).

Currently we have no long or short term borrowing outstanding at the banks; hence both our gearing and all bank debt to equity ratios have dropped to zero. Net interest income amounted to HK$22 million for the year.

Capital investment of HK$349 million was financed by current year depreciation of HK$181 million and current year profit, consistent with previous years.

Order backlog exceeded US$120 million as of 31 December 2000.

ASM will maintain its current corporate strategy of organic growth into the future, thus no major funding will be needed in the short term. The strong financial position of the Company should allow ASM to weather any industry fluctuation and emerge as one of the stronger leaders within its 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 2000.

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 29 to the financial statements.

Results and appropriations

The Directors recommend the payment of a final dividend of 85.0 cents (1999: 28.0 cents) per share, which together with the interim dividend of 30.0 cents (1999: 7.0 cents) per share paid during the year, makes a total dividend for the year of 115.0 cents (1999: 35.0 cents) per share, and the retention of the remaining profit for the year amounting to HK$643.7 million (1999: HK$198.3 million).

Details of the results of the Group and appropriations of the Company are set out in the consolidated income statement on page 33 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 67.

Property, plant and equipment

During the year, the Group continued to expand its manufacturing facilities. The Group acquired plant and machinery for approximately HK$295 million and invested approximately HK$54 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 11 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2000 are set out in note 12 to the financial statements.

Issue of shares

1,043,000 shares and 1,785,000 shares were issued for cash at par on 20 March 2000 and 15 December 2000 respectively 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 19 to the financial statements.

Borrowings

Details of the Group's bank borrowings are set out in note 17 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, Lam See Pong, Patrick 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 California, Santa Clara, U.S.A..

Lam See Pong, Patrick, Executive Director, aged 52, 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.

Directors (continued)

Fung Shu Kan, Alan, Executive Director, aged 50, 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.

Rinse de Jong, Executive Director, aged 52, joined ASM International as Vice President of Finance and Chief Financial Officer in February 1997. He holds a degree in accountancy. Rinse de Jong resigned with effect from 9 February 2001.

Orasa Livasiri, Independent Non-executive Director, aged 45, was appointed to the Board as an Independent Non-executive Director in 1994. She is a solicitor in private practice for over 16 years 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 62, 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 last year 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, 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 22 February 2000, the Directors resolved to contribute HK$284,300 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 2,843,000 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 1999. Upon expiration of the defined qualification period on 20 March 2000 and 15 December 2000, the trustees subscribed for 1,043,000 shares and 1,785,000 shares respectively for the benefit of those staff qualified under the Scheme. 286,000 of these shares were issued to certain Directors.

On 12 February 2001, 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 2000 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 2000 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 1)	–	–	–	–
Lam See Pong, Patrick	2,970,000	–	–	–
Fung Shu Kan, Alan	276,000	–	–	–
Rinse de Jong	–	–	–	–
Orasa Livasiri	–	–	–	–
Paulus Cornelis van den Hoek (Note 2)	120,000	–	1,250,000	–

Directors' interests in shares (continued)

Notes:

(1) As at 31 December 2000, Arthur H. del Prado, member of his immediate family and a foundation controlled by him together held about 23.47% of the issued share capital of ASM International. A wholly owned subsidiary of ASM International, Advanced Semiconductor Materials (Netherlands Antilles) N. V. hold 207,427,500 shares of the Company as at 31 December 2000. 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.

(2) Paulus Cornelis van den Hoek owns the entire issued share capital of Paaihorn Beheer Alfa B. V., which in turn owns 1,250,000 shares of the Company.

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 2000.

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 2000, 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.

On 9 February 2001, the Company received notification from The Capital Group Companies, Inc. that they are holding 46,103,500 shares, representing 12.1% of the issued share capital of the Company.

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 28 to the financial statements.

Arthur H. del Prado has indirect 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 largest customer of the Group by itself and together with the next four largest customers accounted for 17.2% and 44.2% respectively of the Group's turnover for the year under review.

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

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owns more than 5% of the Company's share capital has a beneficial interest in the Group's five largest customers and suppliers.

Donations

During the year, the Group made charitable donations amounting to HK$98,342.

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 2000.

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

12 February 2001

To the Shareholders of ASM Pacific Technology Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 33 to 66 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 2000 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, 12 February 2001

For the year ended 31 December 2000

	Notes	2000 HK$'000	1999 HK$'000
Turnover	3	**3,989,130**	1,890,869
Cost of sales		**(2,171,732)**	(1,111,871)
Gross profit		**1,817,398**	778,998
Other revenue		**32,519**	6,658
Selling expenses		**(281,564)**	(154,886)
General and administrative expenses		**(170,520)**	(120,111)
Research and development expenses, net	4	**(219,486)**	(145,812)
Profit from operations	5	**1,178,347**	364,847
Finance costs	6	**(3,132)**	(15,702)
Profit before taxation		**1,175,215**	349,145
Taxation	7	**(95,032)**	(18,995)
Net profit for the year	8	**1,080,183**	330,150
Dividends	9	**(436,509)**	(131,809)
Profit for the year, retained		**643,674**	198,341
Earnings per share	10		
– Basic		**HK$2.86**	HK$0.88
– Diluted		**HK$2.85**	HK$0.88

At 31 December 2000

	Notes	2000 HK$'000	1999 HK$'000
Non-current assets			
Property, plant and equipment	11	**768,794**	677,378
Current assets			
Inventories	13	**691,809**	462,159
Trade and other receivable	14	**788,522**	626,555
Marketable securities	15	**–**	44,482
Pledged bank deposits		**–**	1,455
Bank balances and cash		**648,804**	170,693
		2,129,135	1,305,344
Current liabilities			
Trade and other payable	16	**694,054**	513,480
Taxation		**93,818**	26,445
Proposed dividend		**322,817**	105,548
Short-term bank borrowings	17	**30**	178,782
		1,110,719	824,255
Net current assets		**1,018,416**	481,089
		1,787,210	1,158,467
Capital and reserves			
Share capital	18	**37,979**	37,696
Reserves	19	**1,732,804**	1,111,239
		1,770,783	1,148,935
Non-current liabilities			
Deferred taxation	20	**16,427**	9,532
		1,787,210	1,158,467

The financial statements on pages 33 to 66 were approved by the Board of Directors on 12 February 2001 and are signed on its behalf by:

Arthur H. del Prado	**Lam See Pong, Patrick**
Director	Director

At 31 December 2000

	Notes	2000 HK$'000	1999 HK$'000
Non-current assets			
Interests in subsidiaries	12	**391,109**	477,708
Current assets			
Trade and other receivable	14	**1,635**	612
Amounts due from subsidiaries		**453,321**	388,489
Bank balances and cash		**297,042**	3,910
		751,998	393,011
Current liabilities			
Trade and other payable	16	**3,746**	1,006
Amounts due to subsidiaries		**99,128**	50,985
Proposed dividend		**322,817**	105,548
Short-term bank borrowings	17	**29**	50,900
		425,720	208,439
Net current assets		**326,278**	184,572
		717,387	662,280
Capital and reserves			
Share capital	18	**37,979**	37,696
Reserves	19	**679,408**	624,584
		717,387	662,280

Arthur H. del Prado
Director

Lam See Pong, Patrick
Director

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 2000

	2000	1999
	HK$'000	HK$'000
Net profit for the year	**1,080,183**	330,150
Net (losses) gains not recognised in the income statement:		
Exchange differences on translation of the financial statements of overseas operations	**(22,109)**	749
Total recognised gains	**1,058,074**	330,899

For the year ended 31 December 2000

	Notes	2000	1999
	HK$'000	HK$'000	
Net cash inflow from operating activities	21	**1,180,905**	464,841
Net cash inflow from operating activities	21	**1,180,905**	464,841
Returns on investments and servicing of finance			
Bank interest received		**23,050**	2,862
Income received from marketable securities		**2,125**	4,167
Dividends paid		**(219,240)**	(99,417)
Interest paid		**(3,132)**	(16,199)
Finance lease charges paid		**–**	(4)
Net cash outflow from returns on investments and servicing of finance		**(197,197)**	(108,591)
Taxation			
Hong Kong Profits Tax refunded		**–**	1,931
Hong Kong Profits Tax paid		**(14,107)**	(129)
Taxation in other jurisdictions paid		**(6,657)**	(3,810)
Net cash outflow on taxation		**(20,764)**	(2,008)
Investing activities			
Purchase of property, plant and equipment		**(349,391)**	(183,667)
Disposal of marketable securities		**44,482**	21,369
Decrease in pledged bank deposits		**1,455**	1,551
Proceeds on disposal of property, plant and equipment		**11**	593
Net cash outflow from investing activities		**(303,443)**	(160,154)
Net cash inflow before financing		**659,501**	194,088

	Notes	2000 HK$'000	1999 HK$'000
Financing	22		
Proceeds from issue of shares		**283**	180
New bank loans raised		**–**	89,741
Repayments of bank loans		**(154,250)**	(180,517)
Repayments of obligations under finance leases		**–**	(217)
Net cash outflow from financing		**(153,967)**	(90,813)
Increase in cash and cash equivalents		**505,534**	103,275
Cash and cash equivalents at beginning of the year		**146,159**	42,011
Effect of foreign exchange rate changes		**(2,919)**	873
Cash and cash equivalents at end of the year	23	**648,774**	146,159

For the year ended 31 December 2000

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"), 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 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.

Goodwill or capital reserve on consolidation, which represents the excess or shortfall of the purchase consideration over the fair values attributable to the separable net assets at the date of acquisition, is written off or credited directly to reserves as appropriate.

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.

Revenue recognition

Sales of goods are recognised when goods are delivered or 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.

2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. 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 terms 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.

In the previous years, leasehold improvements were depreciated over the terms of the leases, including the renewable period at the lessee's option. During the year, the directors have reviewed the estimated useful lives of leasehold improvements and have changed the estimated useful lives of leasehold improvements to 3 years to better reflect the life of these assets. The effect of such change on the income for the year is not significant.

2 Significant accounting policies (continued)

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors.

Investments in subsidiaries are included in the Company's balance sheet at cost/carrying value less provision, if necessary, for permanent diminution in value.

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

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.

Marketable securities

Investments in marketable securities are carried at fair value. The unrealised gains or losses arising from valuation are dealt with in the income statement.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased 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.

2 Significant accounting policies (continued)

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.

Research and development costs

Research costs are charged to the income statement in the year in which they are incurred. Development costs are charged to the income statement in the year in which they are incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation. 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.

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 under 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.

2 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.

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.

3 Turnover

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

4 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$5,982,000 (1999: HK$7,610,000).

Included in research and development costs is depreciation on property, plant and equipment of HK$8,721,000 (1999: HK$9,449,000) and rental of land and buildings under operating leases of HK$1,890,000 (1999: HK$2,197,000).

5 Profit from operations

	2000 HK$'000	1999 HK$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	**2,381**	2,154
Depreciation	**180,862**	124,754
Loss on disposals of property, plant and equipment	**68,339**	34
Rental of land and buildings under operating leases	**35,793**	31,509
Staff costs, including director's remuneration	**758,793**	462,813
and after crediting:		
Interest income from:		
– banks	**23,050**	2,872
– marketable securities	**2,125**	3,786
Provision for bad and doubtful debts on trade receivable written back	**–**	3,261

Notes:

(i) Information regarding directors' and employees' remuneration

	2000 HK$'000	1999 HK$'000
Directors		
Fees to independent non-executive Directors	**296**	88
Other emoluments to executive Directors		
– Salaries and other benefits	**7,240**	6,132
– Performance related incentive payments	**2,500**	1,010
– Pension contribution	**809**	718
Directors' remuneration	**10,845**	7,948

In additions to the above, 286,000 (1999: 298,000) 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$3,835,000 (1999: HK$4,112,400).

5 Profit from operations
(continued)

Emoluments of the Directors, excluding the above share incentive benefits, were within the following bands:

	Number of directors	
	2000	1999
Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–

Employees

The five highest paid individuals included two (1999: two) Directors, details of whose remuneration are set out above. The emoluments of the remaining three (1999: three) individuals are as follows:

	2000 HK$'000	1999 HK$'000
Salaries and other benefits	**5,878**	5,090
Performance related incentive payments	**890**	420
Pension contribution	**483**	439

In addition to the above, 436,000 (1999: 179,000) 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$7,365,200 (1999: HK$2,470,200).

5 Profit from operations (continued)

Emoluments of these employees, excluding the share incentive benefits, were within the following bands:

	Number of employees	
	2000	1999
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**2**	–

(ii) Retirement benefits scheme contributions

The Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans. 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$22,150,000 (1999: HK$17,859,000) represents contributions payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$768,000 (1999: HK$450,000) arising from employees leaving the Group prior to completion of qualifying service period.

At the balance sheet date, forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years amounted to HK$16,000 (1999: HK$69,000).

6 Finance costs

	2000 HK$'000	1999 HK$'000
Interest on bank borrowings wholly repayable within five years	**3,132**	15,698
Finance lease charges	**–**	4
	3,132	15,702

7 Taxation

	2000 HK$'000	1999 HK$'000
The charge comprises:		
Hong Kong :		
Profits Tax calculated at 16% of the estimated assessable profit for the year	**80,324**	14,296
Overprovision in prior years	**(118)**	(171)
Profits Tax refunded	**–**	(1,931)
	80,206	12,194
Taxation in other jurisdictions	**7,931**	2,603
	88,137	14,797
Deferred taxation charge (note 20)	**6,895**	4,198
	95,032	18,995

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions, including other parts of the People's Republic of China (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 tax exemption applies to profits arising for a period of 10 years from 1 January 1992. The Group is in the process of applying to the Singapore authorities for an extension of the tax incentive.

7 Taxation (continued)

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 20.

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

	Provided		Unprovided	
	2000	1999	**2000**	1999
	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	**19,820**	4,198	**(31,610)**	(10,662)
Taxation losses	**(7,671)**	—	**13,694**	1,232
Other timing differences	**(5,254)**	—	**280**	(258)
	6,895	4,198	**(17,636)**	(9,688)

8 Net profit for the year

The net profit for the year dealt with in the financial statements of the Company amounted to HK$491,333,000 (1999: HK$234,714,000).

9 Dividends

	2000	1999
	HK$'000	HK$'000
Interim dividend paid of 30.0 cents (1999: 7.0 cents) per share on 378,000,000 (1999: 375,161,000) shares	**113,400**	26,261
Proposed final dividend of 85.0 cents (1999: 28.0 cents) per share on 379,785,000 (1999: 376,957,000) shares	**322,817**	105,548
Underprovision of final dividend for prior year	**292**	—
	436,509	131,809

10 Earnings per share

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

	2000 HK$'000	1999 HK$'000
Earnings for the purpose of basic and diluted earnings per shares	**1,080,183**	330,150

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**377,858**	375,245
Effect of dilutive potential ordinary shares from Employee Share Incentive Scheme	**1,538**	1,425
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**379,396**	376,670

11 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 2000	214,078	128,546	1,025,635	40,046	1,408,305
Currency realignment	(7,678)	(70)	(6,993)	(242)	(14,983)
Additions	9,231	18,102	295,444	26,614	349,391
Disposals	—	(20,185)	(178,006)	(3,443)	(201,634)
Reclassification	—	—	59	(59)	—
At 31 December 2000	215,631	126,393	1,136,139	62,916	1,541,079
Depreciation					
At 1 January 2000	63,149	91,355	559,827	16,596	730,927
Currency realignment	(2,169)	(27)	(3,869)	(155)	(6,220)
Provided for the year	24,791	32,448	112,522	11,101	180,862
Eliminated on disposals	—	(12,659)	(118,885)	(1,740)	(133,284)
Reclassification	—	—	59	(59)	—
At 31 December 2000	85,771	111,117	549,654	25,743	772,285
Net book values					
At 31 December 2000	129,860	15,276	586,485	37,173	768,794
At 31 December 1999	150,929	37,191	465,808	23,450	677,378

11 Property, plant and equipment (continued)

The carrying value of leasehold land and building at the balance sheet date includes an amount of HK$10,602,000 (1999: HK$11,325,000) relating to leasehold land located in Malaysia which has a lease term of 30 years from 31 December 1996 and is renewable upon expiry for a further term of 30 years, and an amount of HK$119,258,000 (1999: HK$139,604,000) 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.

12 Interest in subsidiaries

	2000 HK$'000	1999 HK$'000
Unlisted shares:		
At Directors' valuation	**83,155**	83,155
At cost	**63,441**	49,096
	146,596	132,251
Loans to subsidiaries	**244,513**	345,457
	391,109	477,708

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 1988 are 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.

12 Interest in subsidiaries (continued)

Details of the principal subsidiaries at 31 December 2000 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued share capital: Fixed-rate participating shares	Nominal value of issued share capital: Ordinary shares/ registered capital	Proportion of nominal value of issued ordinary share/ registered capital held by the Company: Directly	Proportion of nominal value of issued ordinary share/ registered capital held by the Company: Indirectly	Principal activities
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

12 Interest in subsidiaries (continued)

Details of the principal subsidiaries at 31 December 2000 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
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 2000, 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.

12 Interests 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, an equity 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.

13 Inventories

	The Group	
	2000	1999
	HK$'000	HK$'000
Raw materials	**273,605**	183,300
Processed materials	**195,734**	109,147
Work in progress	**176,033**	101,372
Finished goods	**46,437**	68,340
	691,809	462,159

At 31 December 2000, inventories amounted to HK$13,146,000 (1999: HK$8,817,000) are stated at their net realisable value.

14 Trade and other receivable

	The Group		The Company	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivable	**695,092**	573,668	**—**	—
Other receivable, deposits and prepayments	**76,040**	47,324	**1,167**	145
Amounts due from ASM International group companies — trade (Note)	**17,390**	5,563	**468**	467
	788,522	626,555	**1,635**	612
Aging analysis of trade receivable is as follows:				
Not yet due	**318,867**	334,966	**—**	—
Overdue within 30 days	**189,516**	145,603	**—**	—
Overdue within 31 to 60 days	**110,122**	33,288	**—**	—
Overdue within 61 to 90 days	**44,080**	28,193	**—**	—
Overdue over 90 days	**32,507**	31,618	**—**	—
	695,092	573,668	**—**	—

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.

15 Marketable securities

	The Group	
	2000	1999
	HK$'000	HK$'000
Bonds and certificates of deposit, at cost		
– traded in Hong Kong	**–**	35,294
– traded overseas	**–**	9,309
	–	44,603
Less: Unrealised losses	**–**	(121)
	–	44,482
Market value at 31 December	**–**	44,482

16 Trade and other payable

	The Group		The Company	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payable	**395,657**	410,707	**–**	–
Other payable and accrued charges	**297,350**	101,991	**2,785**	425
Amounts due to ASM International group companies — trade (Note)	**1,047**	782	**961**	581
	694,054	513,480	**3,746**	1,006
Aging analysis of trade payable is as follows:				
Not yet due	**227,838**	255,661	**–**	–
Overdue within 30 days	**100,416**	75,440	**–**	–
Overdue within 31 to 60 days	**60,676**	32,515	**–**	–
Overdue within 61 to 90 days	**3,026**	22,748	**–**	–
Overdue over 90 days	**3,701**	24,343	**–**	–
	395,657	410,707	**–**	–

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

17 Short-term bank borrowings

	The Group		The Company	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**–**	154,248	**–**	50,898
Bank overdrafts	**30**	18,020	**29**	2
Trust receipt and import loans	**–**	6,514	**–**	–
	30	178,782	**29**	50,900
Secured	**–**	93,296	**–**	–
Unsecured	**30**	85,486	**29**	50,900
	30	178,782	**29**	50,900

18 Share capital

	2000	1999
	HK$'000	HK$'000
Issued and fully paid:		
Shares of HK$0.10 each – At 1 January	**37,696**	37,516
– Shares issued under the Employee Share Incentive Scheme	**283**	180
At 31 December	**37,979**	37,696

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

During the year, 2,828,000 shares were issued, for cash at par, to eligible employees and members of management under the Employee Share Incentive Scheme.

On 12 February 2001, 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.

19 Reserves

	The Group		The Company	
	2000	1999	**2000**	1999
	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	**(44,428)**	(45,177)	**–**	–
Currency realignment on translation of financial statements of overseas operations	**(22,109)**	749	**–**	–
At 31 December	**(66,537)**	(44,428)	**–**	–
Retained profits				
At 1 January	**958,195**	759,854	**441,912**	339,007
Net profit for the year	**1,080,183**	330,150	**491,333**	234,714
Dividends (note 9)	**(436,509)**	(131,809)	**(436,509)**	(131,809)
At 31 December	**1,601,869**	958,195	**496,736**	441,912
Total reserves	**1,732,804**	1,111,239	**679,408**	624,584

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$496,736,000 (1999: HK$441,912,000), as in accordance with the Company's Articles of Association, dividends can only be distributed out of profits of the Company.

20 Deferred taxation

	The Group	
	2000	1999
	HK$'000	HK$'000
Balance at beginning of the year	**9,532**	5,334
Charge for the year (note 7)	**6,895**	4,198
Balance at end of the year	**16,427**	9,532

At 31 December 2000, the major components of deferred taxation liability (asset), provided and unprovided, of the Group are as follows:

	Provided		Unprovided	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**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	**29,305**	9,485	**–**	31,610
Unutilised taxation losses carried forward	**(7,671)**	—	**–**	(13,694)
Other timing differences	**(5,207)**	47	**–**	(280)
	16,427	9,532	**–**	17,636

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

21 Reconciliation of profit before taxation to net cash inflow from operating activities

	2000 HK$'000	1999 HK$'000
Profit before taxation	**1,175,215**	349,145
Depreciation	**180,862**	124,754
Loss on disposal of property, plant and equipment	**68,339**	34
Income from marketable securities	**(2,125)**	(3,786)
Bank interest income	**(23,050)**	(2,872)
Finance lease charges	**–**	4
Interest expenses	**3,132**	15,698
Movement in value of marketable securities	**–**	121
Foreign exchange losses on financing	**2,416**	2,401
Effect of foreign exchange rate changes on inter-company balances	**(22,530)**	(1,935)
Increase in inventories	**(222,914)**	(145,243)
Increase in trade receivable	**(109,135)**	(201,716)
Increase in other receivable, deposits and prepayments	**(27,631)**	(12,154)
Increase in amounts due from ASM International group companies – trade	**(11,827)**	(799)
(Decrease) increase in trade payable	**(24,578)**	311,153
Increase in other payable and accrued charges	**194,465**	29,347
Increase in amounts due to ASM International group companies – trade	**266**	689
Net cash inflow from operating activities	**1,180,905**	464,841

22 Analysis of changes in financing during the year

	2000 HK$'000	1999 HK$'000
Share capital and premium:		
At 1 January	**164,224**	164,044
New shares issued	**283**	180
At 31 December	**164,507**	164,224
Obligations under finance leases:		
At 1 January	**–**	216
Currency realignment	**–**	(2)
Repayments	**–**	(217)
Foreign exchange losses	**–**	3
At 31 December	**–**	–
Bank loans:		
At 1 January	**154,248**	243,030
Currency realignment	**(2,414)**	(404)
New bank loans raised	**–**	89,741
Repayments	**(154,250)**	(180,517)
Foreign exchange losses	**2,416**	2,398
At 31 December	**–**	154,248

23 Analysis of the balances of cash and cash equivalents

	2000 HK$'000	1999 HK$'000
Bank balances and cash	**648,804**	170,693
Trust receipt and import loans	**–**	(6,514)
Bank overdrafts	**(30)**	(18,020)
	648,774	146,159

24 Pledge of assets

No asset has been pledged by the Group as at 31 December 2000.

At 31 December 1999, the Group had pledged marketable securities with an aggregate carrying value of approximately HK$44,441,000, bank deposits of approximately HK$1,455,000 and a leasehold building with a carrying value of HK$139,604,000 to secure general banking facilities granted to the Company and its subsidiaries to the extent of approximately HK$178,036,000.

25 Contingent liabilities

	The Group	
	2000	1999
	HK$'000	HK$'000
Guarantees given	**7,389**	5,002

	The Company	
	2000	1999
	HK$'000	HK$'000
Guarantees given to bankers in respect of general banking facilities granted to subsidiaries — extent of banking facilities utilised	**29**	103,351

26 Capital commitments

	The Group	
	2000	1999
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**83,622**	106,466
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**111,366**	87,928
	194,988	194,394

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

27 Operating lease commitments

At 31 December 2000, the Group had annual commitments payable in the following year under non-cancellable operating leases in respect of land and buildings as follows:

	The Group	
	2000	1999
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**8,289**	5,100
In the second to fifth year inclusive	**23,623**	18,894
Over five years	**3,111**	6,560
	35,023	30,554

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

28 Related party transactions

During the year, the Group paid an annual management fee of HK$1,500,000 (1999: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 of three 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$22,175,000 (1999:HK$15,542,000) .

29 Segmental information

The Group's operations are principally carried out in the PRC, including Hong Kong and Mainland China, Singapore and Malaysia. An analysis of the Group's turnover and profit before taxation by location of operations is as follows:

	Turnover		Profit before taxation	
	2000	1999	**2000**	1999
	HK$'000	HK$'000	**HK$'000**	HK$'000
Location of operation				
PRC	**1,858,058**	971,015	**522,758**	185,868
Singapore and Malaysia	**2,131,072**	919,854	**652,457**	163,277
	3,989,130	1,890,869	**1,175,215**	349,145

A geographical breakdown of the Group's turnover by location of market is as follows:

	2000	1999
	HK$'000	HK$'000
Location of market		
Malaysia	**919,582**	466,706
Taiwan	**714,731**	299,239
Philippines	**456,767**	146,726
Thailand	**384,025**	235,103
Korea	**367,709**	180,044
Singapore	**294,391**	97,082
Mainland China	**269,109**	103,901
Hong Kong	**183,317**	132,204
Europe	**161,453**	51,559
United States	**122,236**	95,491
Japan	**65,931**	47,484
Others	**49,879**	35,330
	3,989,130	1,890,869

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

	For the year ended 31 December				
	2000	1999	1998	1997	1996
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**3,989,130**	1,890,869	1,325,341	1,464,409	1,357,129
Profit before taxation	**1,175,215**	349,145	121,748	218,305	206,091
Taxation	**(95,032)**	(18,995)	(8,761)	(15,685)	(4,591)
Net profit for the year	**1,080,183**	330,150	112,987	202,620	201,500

	At 31 December				
	2000	1999	1998	1997	1996
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Non-current assets	**768,794**	677,378	629,274	616,011	667,406
Current assets	**2,129,135**	1,305,344	850,337	949,292	815,410
Current liabilities	**(1,110,719)**	(824,255)	(439,389)	(468,999)	(477,744)
Net current assets	**1,018,416**	481,089	410,948	480,293	337,666
Non-current liabilities	**(16,427)**	(9,532)	(90,557)	(165,281)	(104,842)
Shareholders' equity	**1,770,783**	1,148,935	949,665	931,023	900,230

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ASM Assembly Materials Limited

ASM Technology Singapore Pte. Limited

ASM Technology (M) Sdn.Bhd.

ASM Precision Machinery
Manufactory Ltd., Shenzhen