

LIQUIDITY AND FINANCIAL RESOURCES

The Group's shareholders' funds increased slightly to HK\$1,915,502,000 as at 31 December 2003 (2002: HK\$1,756,072,000). As there were no long term borrowings, gearing of the Group was zero, the same as for the past four years.

Although HK\$383.3 million was paid as dividends and HK\$160.5 million was spent in capital investments during the twelve-month period, due to good control of working capital and strong positive cash flow, cash on hand as of 31 December 2003 was slightly increased to HK\$513,078,000 (2002: HK\$465,569,000). In fact, majority of the capital investments were funded by the current year's depreciation of HK\$153.5 million.

There was no bank borrowing as of 31 December 2003. Current ratio was 3.2. Account receivables are mostly from the 4th quarter shipments and have been tightly monitored during the year, resulting in 96.4 days sales outstanding.

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 dollars, Hong Kong dollars, Singapore dollars and Renminbi. The limited yen-based receivables were offset by some accounts payables in yen to Japanese vendors.

HUMAN RESOURCES

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 bonus 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 2003, the total headcount of the Group worldwide was approximately 6,200 people.

PROSPECTS

Allowing for an improving US economy in an election year, a stronger spending outlook from consumers and the continuing penetration by semiconductor content into new end markets, most industry analysts such as Dataquest, VLSI Research, SIA, IC Insights, Semico, iSuppli and WSTS currently predict a strong 20+% (Range 17 - 29%) growth for the semiconductor industry in 2004, to be followed by moderate growths in 2005 and 2006. IC unit volume is expected to rise 13.2% according to In-Stat. Chip scale packages like QFN and stacked packages have been designed into the latest generation of wireless communication and hand held products, and are thus expected to have accelerated growth.

流動資金及財務狀況

於二零零三年十二月三十一日，集團的股東資金輕微上升至港幣1,915,502,000元（二零零二年：港幣1,756,072,000元）。如過去四年一樣，集團並沒有長期借貸，負債比率為零。

儘管派發了港幣三億八千三百三十萬元的股息，及於十二個月內投入了港幣一億六千零五十萬元作資本性投資，由於營運資金控制得宜及現金流入強勁，於二零零三年十二月三十一日，手頭現金微升至港幣513,078,000元（二零零二年：港幣465,569,000元）。事實上，集團主要的資本性投資乃由是年度港幣一億五千三百五十萬元的折舊所支付。

於二零零三年十二月三十一日，集團並沒有任何銀行借貸。流動比率為三點二。集團的應收賬款主要來自第四季的收入。在嚴謹的監控下，應收賬款週轉率維持在九十六點四天。

集團主要之銷售貨幣單位為美元，因此匯率風險非常低。另一方面，集團主要以美元、港幣、新加坡幣及人民幣支付開銷。有限量的日圓應收賬款足夠應付部份應付予日本供應商賬款。

人力資源

集團與員工訂立了具競爭力的薪酬制度。除員工薪金外，集團亦為員工提供其他福利，包括退休供款計劃及醫療津貼。此外，視乎集團的業績及個人表現，個別的花紅及紅股可按需要分發予應嘉許員工。整體而言，集團每年會進行一次薪金調整，並致力維持其嚴謹的員工培訓計劃。

於二零零三年十二月三十一日，集團全球聘用約六千二百名員工。

展望

隨著美國經濟於大選年逐步改善，消費市場前景更為樂觀，再加上半導體之應用繼續滲入新市場，大部份行業分析員如Dataquest、VLSI Research、SIA、IC insights、Semico、iSuppli及WSTS目前均預測半導體業於二零零四年之增長將超過百分之二十（介乎百分之十七至二十九），而二零零五及二零零六年則保持穩定增長。根據In-stat預測，集成電路產量將增長百分之十三點二。有見晶體度包裝如QFN已被應用於新一代的無線通訊及手提設備設計上，預期這將加快晶體度包裝之增長步伐。

PROSPECTS (CONTINUED)

For the assembly equipment market, most pundits (Dataquest, SEMI, VLSI) have projected very optimistic 38 - 40% growth for 2004 and further strong double-digit increase (20 - 35%) for 2005. While the memory of the past 2 - 3 depressed years remains fresh, sceptics may consider such projection too ambitious. Fortunately the stock market has turned more positive towards high tech companies in the recent months. Hopefully money will become more accessible to fund the capital expenditure of our customers, resulting in a lucrative assembly equipment market in a bumper year 2004.

On the ASM front, we have been aggressively adding parts-fabrication machines to boost output and contain our equipment delivery lead time well within customer-acceptable limits. Recently we have also taken up additional 28,000 sq.ft. and 20,000 sq.ft. floor spaces in our Hong Kong and China plants. We have also simultaneously beefed up our sales and service, production and product development staffs to cope with the increasing order backlog, which has gone back to the year 2000 level. Together with our Malaysian leadframe project, investments to upgrade our leadframe manufacturing, R&D capabilities and information technology infrastructure, capital investment planned for 2004 is HK\$250 million.

To reinforce our strategic partnerships with key customers, we support them with different packaging solutions using ASM equipment and leadframes, such as: stacked die, image sensor assembly, high brightness LED, power devices bonded with copper wires, QFN packaging, etc. Combining our process knowledge in die bonding, flip chip, wire bonding, encapsulation and leadframe design, ASM's solution selling strategy markedly differentiates us from all our competitors and has proven time after time to unlock the doors of customers not accessible by a standalone product field evaluation.

By continuously offering customers improved added value propositions based on our equipment products to satisfy their changing needs, ASM can maintain its industry leadership position. Our customers are facing numerous tough challenges. Advanced wafer fabrication presents low k dielectric, finer line width and copper interconnect problems. Demands in miniaturization, speed and electrical device performance need to be addressed by stacked die, flip chip and wafer level packages. Coupled with state-of-the-art line width, 300mm wafers significantly reduce the die cost per assembled IC, making IC assembly the relatively more expensive process. Driven by market forces to continuously offer reduced prices in electronic goods, our customers are faced with huge pressures to reduce costs while still needing to invest in the new generation of bonding equipment to assemble these advanced packages.

展望(續)

至於裝嵌設備市場方面，大部份專家(Dataquest、SEMI及VLSI)樂觀預期二零零四年的增長率將達百分之三十八至四十，而二零零五年亦將錄得雙位數字之增長(百分之二十至三十五)。然而，過去兩三年行業的蕭條景況仍記憶猶新，保守派認為這些預測過於理想。幸而最近數月來股票市場對高科技公司之評價變得較為正面，令我們的客戶能更容易獲取資金以支持他們的資本性開支，從而令二零零四年成為裝嵌設備市場蓬勃發展的一年。

ASM正積極增設零件生產機器以提升產量，並致力控制我們的設備付貨期於客戶可接受的範圍內。近期，我們於香港及中國的廠房分別擴展了28,000平方呎及20,000平方呎的樓面面積。此外，我們已增聘銷售及服務人員、生產及產品研發人員以應付不斷增加的手頭訂單。集團的手頭訂單已回復至二零零零年的水平。集團二零零四年的資本性投資為港幣二億五千萬美元，將用作投資於馬來西亞引線框架項目和提升引線框架生產能力、科研能力及資訊科技基礎建設。

為鞏固我們與重要客戶之策略性夥伴關係，我們應用ASM的設備及引線框架為他們提供不同的包裝解決方案，包括多層管芯、影像感應組件、高亮度LED、以銅線焊接的電源設備、QFN包裝等。結合我們於晶片焊接、覆晶、焊線、塑封工序及引線框架設計的豐富知識，ASM解決方案的銷售模式令集團於芸芸競爭對手脫穎而出，開啟了那些不接受單一產品測試之客戶的大門。

ASM繼續透過其設備產品為客戶提供改良增值建議，以滿足他們不斷轉變的需求，藉此維持ASM於業內的領導地位。我們的客戶正面對種種艱巨的挑戰。先進晶片組裝要求低k電介體，更微細的管線闊度及銅線焊接，而多層管芯、覆晶及晶片包裝技術正好能滿足先進晶片組裝對纖細度、速度及電子設備性能的要求。此外，配合最新的管線闊度、300毫米晶片大大減低每個裝嵌於集成電路之管芯價格，因而令集成電路裝嵌成為較昂貴的工序。電子產品受市場壓力而持續減價，我們的客戶在面對巨大減價壓力的同時，仍需投資於新一代的焊接機上以裝配這些先進包裝。

PROSPECTS (CONTINUED)

Innovative solutions are called for, and so ASM has developed and mapped out a portfolio of die, wire and flip chip bonder products geared for different die sizes, attachment processes, pad pitch requirements and cost objectives. New series of IC die and wire bonders with significant productivity enhancement are scheduled to be launched this year, and these will solidify our leadership position in the die attachment and wire bonding markets. In pursuance of our customer intimacy strategy, we are concurrently developing a number of solutions for attaching lenses to image sensors, adopting flip chip thermosonic processes to assemble bright LEDs, bonding 4-6 mil copper wire to replace thicker aluminium wires in power packages, and integrating several processes into one wafer level or test handler. Providing what our customers want in niche applications helps further cement the business relationship, leading to opportunities in other mainstream products.

With the business foundation laid over the years by our diversified products serving different application markets, market leadership in die and wire bonders generating capacity-related business in boom times, process and enabling technologies resulting in a stream of exciting new products, and vertical integration in product design and manufacturing achieving the most competitive cost structure, ASM is well-positioned to benefit from the current thriving market environment and future challenges.

APPRECIATION

Last year I promised that we were fully prepared to take aggressive advantage of the coming market recovery and extend our lead over our competitors: we did and that has happened. The fact that my prediction came true was due to the ongoing efforts and dedication of the many men and women who are employed by ASM, and on behalf of the Board I would again like to place on record our appreciation of their performance during the past year. We may make machines, but our company is made by people, and our results show we have some of the best.

I also said last year that we had no intention of resting on our laurels, and that holds true now: in the coming year we will be pushing even harder to achieve better solutions for our clients and to take the ASM quality message to every corner of the market. We have the products, we have the capabilities and most important of all, we have the people.

Arthur H. del Prado

Chairman

24 February 2004

展望 (續)

為滿足市場對創新解決方案的需求，ASM研發及設計出一系列管芯、焊線及覆晶焊接機以配合大小不同的管芯、裝配程序、墊距需要及成本考慮。集團將於年內推出新的集成電路管芯及焊線機系列，這將進一步鞏固ASM於管芯裝配及焊線市場的主導地位。為繼續加強與客戶之密切關係，我們正研發若干方案以於影像感應組件裝配晶體、利用覆晶熱能超聲波工序組裝高亮度LED、以4-6 mil銅線代替較粗的鋁線焊接電源設備及結合若干工序於一晶片層面或test handler。集團透過滿足客戶各項獨特應用所需，進一步鞏固業務關係，並為其他主流產品帶來商機。

憑藉我們針對不同應用市場的多元化產品、具市場領導地位的管芯焊機及焊線機於蓬勃時期帶來產能相關之業務、一系列備有出色工序及技術的新產品、以及最具成本效益結合產品設計及生產的垂直整合業務模式，集團於過去數年已奠下穩固的基礎。因此，ASM已準備就緒以受惠於目前這充滿活力的市場環境及面對未來種種挑戰。

致謝

去年，本人承諾會積極把握即將來臨的市場復甦，並進一步超前競爭對手，這些承諾經已兌現。這全賴ASM全體員工不斷努力及奉獻所致。集團董事會再次謹此對他們過去一年的付出致以衷心謝意。ASM製造機器，而人才則建造ASM。我們的業績亦證明ASM的員工是最出色的一群。

此外，本人去年亦曾表示我們不會自滿及安於現狀，現在亦然。來年，我們將再下一城，為客戶提供更佳的方案，把ASM品質優良的訊息傳遍市場每一個角落。我們有優良的產品和能力，然而最重要的是我們擁有人才。

主席

Arthur H. del Prado

二零零四年二月二十四日