

Review continued

Although we had to deal with a much wider range of products than in the past and a record production run rate during the first six months of the year, together with the investments for the new Malaysian plant, we made aggressive capital expenditure amounting to HK\$299.8 million in 2004. Over the years, we have continued to streamline our working capital management. Last year, we saw the fruits of our past efforts and achieved record inventory turnover of 7.06 times (2003: 5.03 times), with our ending inventory HK\$554.8 million only slightly increased by 4.8% in order to deal with the much higher revenue. Coupled with our good collection efforts, the small addition in operating capital requirement during 2004 resulted in a record free cash flow of HK\$957.6 million (2003: HK\$392.6 million) and a return on invested capital of 67.2% (2003: 39.7%).

Liquidity and Financial Resources

The Group's shareholders' funds increased to HK\$2,177,465,000 as at 31 December 2004 (2003: HK\$1,915,502,000). As there were no long term borrowings, gearing of the Group was zero, the same as for the past five years.

Although HK\$706.9 million was paid as dividends and HK\$299.8 million was spent in capital investments during the twelve-month period, due to good control of working capital and strong positive cash flow from operation, cash on hand as of 31 December 2004 increased by 48.8% to HK\$763,359,000 (2003: HK\$513,078,000). In fact, a good portion of the capital investments were funded by the current year's depreciation of HK\$182.1 million.

There was no bank borrowing as of 31 December 2004. Current ratio was 3.47. Account receivables have been tightly monitored during the year, and together with higher revenues resulted in a major improvement to 57.0 days sales outstanding (2003: 96.4 days)

The Group has minimal currency exposure as the majority of all sales were denominated in U.S. dollars. On the other hand, the disbursements were mainly in U.S. dollars, Hong Kong dollars, Singapore dollars and Renminbi. The limited yen-based receivables were offset by some accounts payables in yen to Japanese vendors.

業務回顧 續

於回顧年度的首六個月，由於我們需要應付更廣闊的產品系列及歷年最高的生產率，連同建設馬來西亞新廠房的投資金額，集團二零零四年的資本性開支為二億九千九百八十萬港元。多年來，我們一直致力於改良集團的營運資金管理，而集團的努力於去年顯著發揮成效，存貨週轉率為七點零六週次（二零零三年：五點零三週次）。儘管營業額大幅上升，期末存貨亦僅輕微上升百分之四點八至五億五千四百八十萬港元。憑藉集團良好的收款能力及營運資金需求輕微上升的情況下，集團二零零四年錄得自由現金流量（Free Cash Flow）達九億五千七百六十萬港元（二零零三年：三億九千二百六十萬港元），而投入資本回報率則達百分之六十七點二（二零零三年：百分之三十九點七）。

流動資金及財務狀況

於二零零四年十二月三十一日，集團的股東資金上升至港幣2,177,465,000元（二零零三年：港幣1,915,502,000元）。如過去五年一樣，集團並沒有長期借貸，負債比率為零。

儘管派發了七億零六百九十萬港元的股息，及於十二個月內投入了二億九千九百八十萬港元作資本性投資，由於營運資金控制得宜及營運現金流入強勁，於二零零四年十二月三十一日，集團的手頭現金增加百分之四十八點八至港幣763,359,000元（二零零三年：港幣513,078,000元）。事實上，集團主要的資本性投資乃由是年度一億八千二百一十萬港元的折舊所支付。

於二零零四年十二月三十一日，集團並沒有任何銀行借貸。流動比率為三點四七。於年內，集團嚴格監控應收賬款水平，加上營業額上升，應收賬款週轉率大幅改善至五十七天（二零零三年：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之日元應付賬款。

Human Resources

ASM places special emphasis on both recruiting and keeping first-class employees, not only through competitive remuneration packages but also by a total commitment to rigorous staff development opportunities and training programs. In general, salary review is conducted annually. In addition to salary payments, other benefits include contributions to provident fund schemes and medical subsidies. Discretionary bonus and bonus shares may be granted to eligible staff based on the Group's financial results and individual performance.

As at 31 December 2004, the total headcount of the Group worldwide was approximately 6,800 people.

Prospects

According to Semiconductor Industry Association (SIA), sales of semiconductors for consumer devices in 2004 were for the first time in industry history greater than sales for corporate gear. With the consumer a more important driver for the semiconductor market, in future the health of the chip sector will be tied more to macroeconomic factors. As outlook in consumer spending remains positive and semiconductor content is rising in numerous end products, most industry analysts (VLSI Research, Dataquest, WSTS, SIA, iSuppli) forecast a moderate single-digit (0 – 9%) growth for the semiconductor industry in 2005, after a splendid 2004 that hit record revenues of US\$217 billion, to be followed by higher growth rate in 2006. According to the 2004 Electronic Trend Publication, IC unit volume is projected to have compound annual growth rate (CAGR) of 10.55% over the 2003 – 2008 period.

To meet the constant challenges of higher performance, diversified functionalities, cost reduction and product miniaturization, more and more IC packages are being designed with finer line width, stacked die, chip scale form factor (e.g. QFN) and system in package (SIP), necessitating the latest generation of assembly equipment. For the assembly equipment market, the rate of change this year will depend on the timing of the recovery of the IC packaging segment in adding capacity-related equipment. Most pundits (VLSI Research, Dataquest, SEMI) currently project a negative growth for 2005 ranging from 2 – 22% and expect a double-digit increase again in 2006.

人力資源

集團為招攬及保留人才不遺餘力。除與員工訂立具競爭力的薪酬制度外，集團亦為員工提供嚴謹的培訓計劃及發展機會。整體而言，集團每年會進行一次薪金調整。除薪金外，集團亦提供退休供款計劃及醫療津貼等其他福利。此外，視乎集團的業績及個人表現，集團將按需要分發花紅及紅股予個別應嘉許之員工。

於二零零四年十二月三十一日，集團全球聘用約六千八百名員工。

展望

根據美國半導體行業協會 (SIA) 的預測，應用於消費品之半導體銷售於二零零四年歷史性首次超越企業市場。隨著消費市場成為推動半導體行業的更重要動力，未來，晶片行業的發展將更受宏觀經濟所影響。鑑於消費市場前景維持樂觀，再加上半導體於各項消費產品之應用日益增加，大部份行業分析員 (VLSI Research、Dataquest、WSTS、SIA及iSuppli) 均預測半導體行業在二零零四年錄得破紀錄的二千一百七十億美元收益的高峰期後，於二零零五年將維持溫和的單位數字增長 (介乎零至百分之九)，而二零零六年的增長率將較零五年高。根據二零零四年電子時報 (Electronic Trend Publication) 預測，集成電路產量於二零零三至零八年的複合年增長率將達百分之十點五五。

因應市場對高性能、多元化功能、減低成本及產品體積的需求，越來越多的集成電路組合在設計上均應用了更微細的管線闊度、多層管芯、晶積度尺寸 (如QFN) 及組裝系統 (SIP)，令市場對新一代裝嵌設備的需求更加殷切。至於裝嵌設備市場方面，二零零五年的增長率將視乎集成電路包裝行業何時進入需求復甦期，擴展其產能相關設備而定。大部份專家 (VLSI、Dataquest及SEMI) 預測二零零五年將出現百分之二至二十二之負增長，而二零零六年則再次呈現雙位數字的增長。

Prospects continued

In the recent years, the assembly equipment industry has been characterized by its quick swings upwards or downwards responding to end-market inventory-level adjustments. To ensure that ASM can flexibly cope with such sudden surges or a prolonged slowdown, management has instructed our manufacturing and marketing teams to carefully evaluate our raw materials pipe-line and work-in-progress (WIP) and take appropriate actions. Although it is premature to draw any conclusions, unlike the previous quarter we have seen some rush orders for capacity-related equipment like wire bonders in the recent weeks. Hopefully this may indicate that we have passed the trough and the turning point has arrived sooner than the sceptics' projection of the second half of the year.

Although it is more challenging to manage and develop multiple products serving diversified market segments, over the years we have persisted with this business philosophy to build a thriving company more resilient to industry fluctuation than our competitors. Our differentiated, exciting new wire and die bonders (as mentioned in the Review Section) with unmatched cost-of-ownership and process capability, e.g. 30 microns pad pitch and copper wire bonding, should propel ASM forward by gaining new customers in the industry's biggest and second largest product market segments. The good progress we made in recent years on flip chip bonders, encapsulation equipment, integrated test handlers and other chip size/scale (CSP) assembly equipment have laid a solid foundation for growth, empowering ASM to aggressively pursue future market opportunities. Leading customers have shown their recognition of our long-term commitment to leadframes - as evident in our new China and Malaysian plants - and demonstrated enthusiasm to expand business with us.

The key to reinforcing our strategic partnerships with customers lies in our ability to provide them with integrated business solutions over and above our state-of-the-art products. By supporting clients with different packaging and factory automation solutions using ASM equipment and leadframes, such as image sensor assembly, QFN packaging, high brightness LED, copper wire bonding, etc., we are offering them unparalleled value propositions that have repeatedly unlocked doors not accessible by a standalone product field evaluation. And facing new challenges such as bonding on low k dielectric, fine line width, copper interconnect and thin wafers, our customers appreciate ASM's continued process enhancements to answer their needs. Our innovative solution-selling strategy markedly differentiates us from all our competitors, enabling us to further expand our business.

展望 續

近年，裝嵌設備行業的表現隨著最終市場存貨水平的調整而急速起伏不定。為確保ASM可彈性地應付市場的迅速起伏，管理層已指示生產及市場推廣團隊就市場情況審慎評估集團的原料及在製品水平，並採取相應措施。有別於過去的季度，近數星期內我們與產能相關的設備如焊線機的急購訂單增加。儘管現時要作出結論仍言之尚早，但我們期望這情況象徵半導體行業已走出谷底，其復甦期可較有疑慮之分析員所預測之下半年度提早來臨。

儘管管理及開發多元化產品以迎合不同市場的挑戰較大，集團多年內一直貫徹此經營理念，促使集團蓬勃發展，並較主要競爭對手更能經得起行業起伏的考驗。我們獨特的新型號焊線機及管芯焊機(參照業務回顧部份所述)具備對手難以媲美的成本效益及產能，如30微米墊距及銅線焊接技術。這些新產品有助集團於業內最大及第二大的產品市場上爭取新客戶。近年集團於覆晶焊接、塑封工序設備、整合式測試分類機及管芯級塑封設備領域上所取得的成績為集團奠定穩固基礎，更令ASM可更充份把握未來的發展機會。集團位於中國的廠房及馬來西亞的新廠房顯示我們對引線框架業務的長期投入，而我們的主要客戶亦對此表示認同，並熱切希望與集團加強合作。

能提供綜合包裝解決方案及最先進產品的能力為集團鞏固與主要客戶之策略性夥伴關係的關鍵。透過應用ASM的設備及引線框架，集團為他們提供不同的包裝解決方案及生產自動化方案，包括影像感應組件、QFN包裝、高亮度LED及銅線焊接元件等。我們為客戶所提供獨一無二的價值已多次證明能有效開啟那些不接受單一產品測試之客戶的大門。面對低k電介體焊接、更微細的管線闊度、銅線焊接及更薄晶片等新挑戰，ASM繼續為客戶提供工序提升方案以滿足此等需要，並廣受讚賞。我們嶄新的解決方案銷售模式亦令集團於芸芸競爭對手中脫穎而出，有助集團業務的進一步拓展。

Prospects continued

To further strengthen our R&D analytical equipment and information technology infrastructure, the rapid prototyping of parts to support our equipment product development, and equipping our Malaysian plants with tooling, stamping and plating capabilities, capital investment of HK\$200 million was planned for 2005. Management believes that our aggressive and consistent investments for the future in facilities, process and product developments will lead the Company to higher ground and yield a corresponding return.

With the wealth of process and enabling technologies accumulated over the years, a track record of successful execution of our customer-centred business strategy and the most efficient cost structure in our industry, ASM is well-positioned to compete in the market place. Our 34.9% revenue lead over the closest competitor in 2004 further crystallized our premier position in the industry. The lengthy battle for market share in a dynamic market environment naturally favours the combatant who possesses richer resources and a greater abundance of world-class products. It is management's belief that ASM will continue to out-perform our industry peers in both strong and soft market scenarios.

Appreciation

During the last year our company has, as promised, refused to rest on its laurels and produced not only better solutions for its customers but exceptional results for its shareholders. This has only been possible because the men and women of many different nationalities in many countries who constitute the ASM family have continued to turn in outstanding performances in their work every day. Without them, we would not have a business, and on behalf of the Board I would again like to place on record our appreciation of their accomplishments during the past year. Because of them, we are number one in the assembly equipment industry – and I know I can speak for all of us at ASM when I say that we have every intention of retaining that position next year!

Arthur H. del Prado

Chairman

24 February 2005

展望 續

集團計劃二零零五年的資本性投資將為港幣二億元，將用於加強集團的研發分析設備及資訊科技基礎建設、提升部件樣品製作速度以支援集團的設備產品研發、及為馬來西亞廠房添置模具、沖壓及電鍍設施。管理層相信憑藉我們在設施、工序及產品發展方面的積極並貫徹如一的投資計劃，將有助推動集團業務更上一層樓、並帶來相應的回報。

憑藉集團多年來於技術及創新方面所積累的經驗、行之有效的客戶主導策略、及業內最具效益的成本架構，ASM已佔據有利位置，迎接市場上的種種競爭。二零零四年我們與最接近的競爭對手之收益差距拉闊至百分之三十四點九，進一步鞏固集團於業內的領導地位。爭取市場佔有率為長期的鬥爭，要在瞬息萬變的市場環境下獲勝，擁有更豐富的資源及更多元化的世界級產品對競爭者而言絕對有利。集團管理層深信，ASM無論在市場順景或逆景下亦將可繼續超越同儕。

致謝

去年，集團貫徹不會自滿及安於現狀的承諾，為客戶提供最佳的方案的同時，更為股東帶來理想的業績。這全賴ASM來自不同國家全體員工的不斷努力及卓越表現。集團董事會再次謹此為他們過去一年的付出致以衷心謝意。有賴所有員工的默默耕耘，ASM方能成為全球裝嵌設備行業之首，而本人及ASM的全體成員更充滿信心，矢志於來年再創佳績，繼續成為全球第一！

主席

Arthur H. del Prado

二零零五年二月二十四日