Continues on the winning track

2007 Annual Report and Accounts

ASM Pacific Technology Limited

(Stock Code：0522)

ASM

ASM

ASM's Record Performance in Year 2007

- Record Group turnover of US$691 million, a growth of 18.4% over the previous year
- Record profit of HK$1,269 million and earnings per share of HK$3.26
- Record equipment turnover, achieving 20.3% revenue growth and US$552 million sales
- Record lead frame turnover, achieving 11.3% revenue growth and US$139 million sales

- Retained the world's No. 1 position in the assembly and packaging equipment industry held since 2002
- Record half year turnover of US$387 million in 2nd half of 2007, a growth of 32.3% over same period in 2006 and a sequential growth of 27.2% over the preceding 6 months
- Record half year profit of HK$723 million in 2nd half of 2007, a growth of 37.9% over same period in 2006 and a sequential growth of 32.3% over the preceding 6 months
- Record new order bookings of US$208 million received in 4th quarter of 2007

Contents

Corporate Information

Directors

Executive Directors:
Arthur H. del Prado, Chairman
Lo Tsan Yin, Peter, Vice Chairman
Chow Chuen, James
Lee Wai Kwong
Tang Koon Hung, Eric

Non-executive Director:
Arnold J.M. van der Ven

Independent Non-executive Directors:
Orasa Livasiri
Lee Shiu Hung, Robert
Lok Kam Chong, John

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Citibank
The Bank of Tokyo-Mitsubishi UFJ, Ltd

Auditor

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Secretary

So Sau Ming

Registered Office

Caledonian House
George Town
Grand Cayman
Cayman Islands

Principal Place of Business

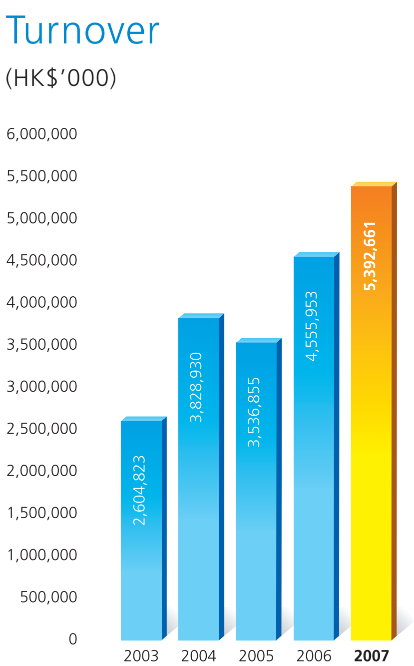
12/F Watson Centre
16-22 Kung Yip Street
Kwai Chung, New Territories
Hong Kong

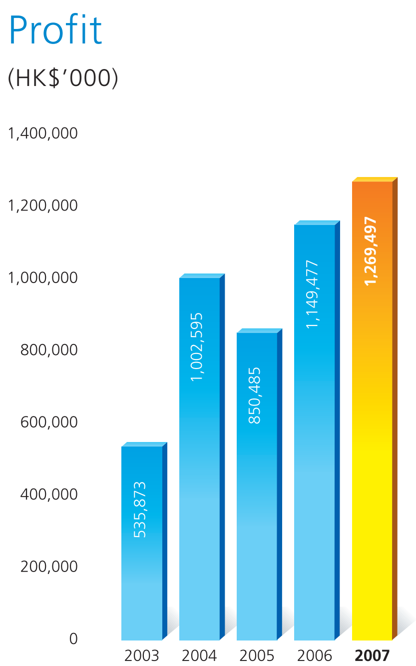
Share Registrars and Branch Register Office

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Financial Highlights

	Year ended 31 December	
	2007	2006
	HK$'000	HK$'000
Turnover	**5,392,661**	4,555,953
Cost of sales	**(3,039,251)**	(2,476,568)
Gross profit	**2,353,410**	2,079,385
Other income	**36,316**	34,327
Selling expenses	**(440,043)**	(375,802)
General and administrative expenses	**(180,961)**	(172,002)
Research and development expenses	**(318,525)**	(286,935)
Finance costs	**(72)**	(199)
Profit before taxation	**1,450,125**	1,278,774
Income tax expense	**(180,628)**	(129,297)
Profit for the year	**1,269,497**	1,149,477
Earnings per share		
– Basic	**HK$3.26**	HK$2.97
– Diluted	**HK$3.25**	HK$2.96





Chairman's Statement

Results

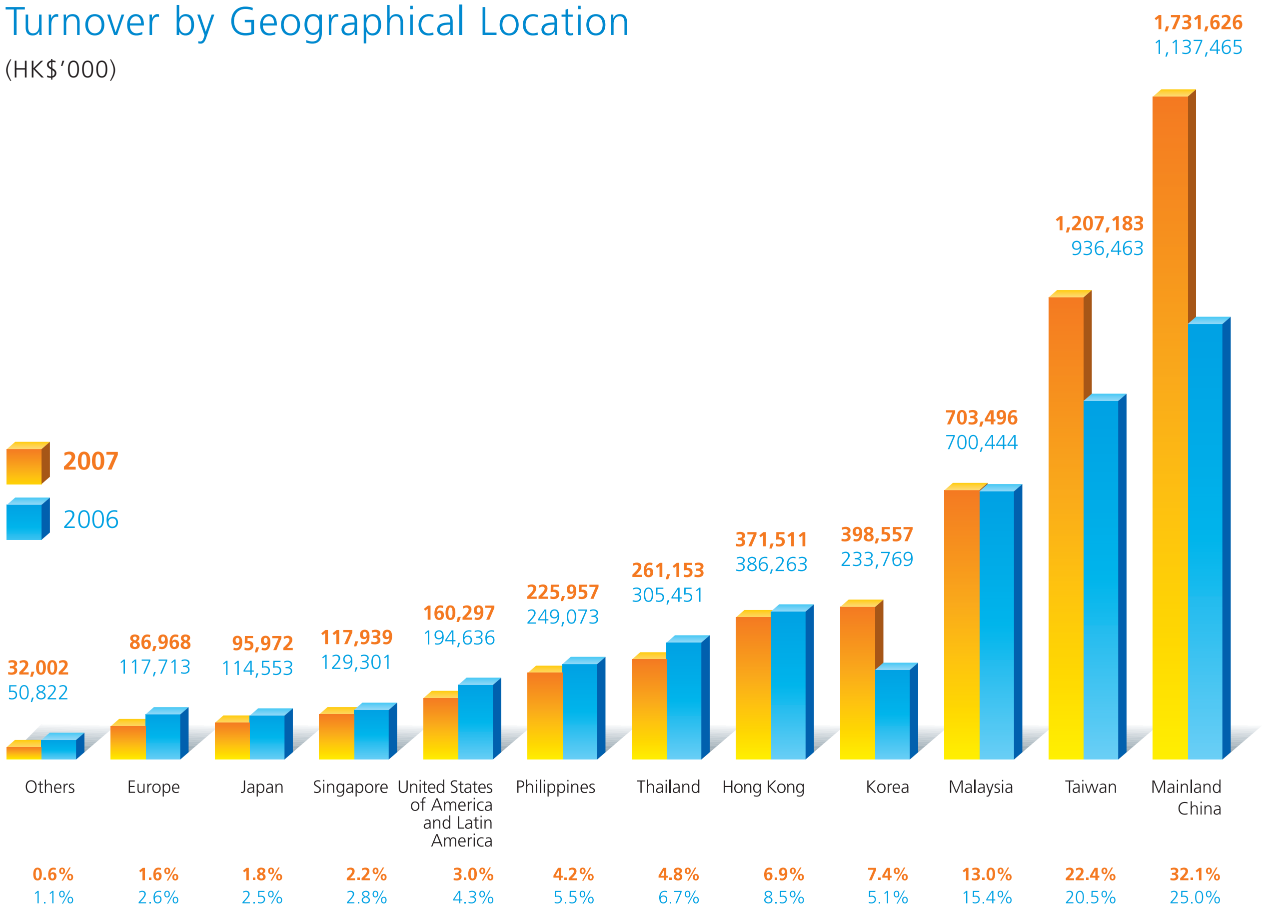
We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved a record turnover amounting to HK$5,393 million in the fiscal year ended 31 December 2007, representing an increase of 18.4% as compared with HK$4,556 million for the previous year. The Group's consolidated profit for the year is HK$1,269 million, which is 10.4% higher than the previous year's consolidated profit of HK$1,149 million. Basic earnings per share for the year amounted to HK$3.26 (2006: HK$2.97).

Dividend

In view of the Company's continuing strong liquidity and rising equity base, the Board of Directors has decided to recommend a final dividend of HK$1.10 (2006: HK$1.00) and a second special dividend of HK$0.40 (2006: HK$0.20) per share. Together with the interim dividend of HK$0.70 (2006: HK$0.70) and first special dividend of HK$0.60 (2006: HK$0.75) per share paid in August 2007, total dividend payment for year 2007 will be HK$2.80 (2006: HK$2.65) per share.

Turnover by Geographical Location

(HK$'000)



Dividend continued

This is in line with our prudent policy, as stated in the past several financial result announcements, of returning current excessive cash holdings to our shareholders while continuing to operate the Group with the optimal shareholders' fund. Having established its leadership position in the microelectronics market over the years, ASM intends to further its organic growth path in the near term not only by enlarging market share with its high-performance, diversified products but also by moving into untapped market space that provides the opportunity for highly profitable growth. There is no short term need for major cash outlay and the Group has consistently managed to generate significant positive cash flow from operations in the past ten years.

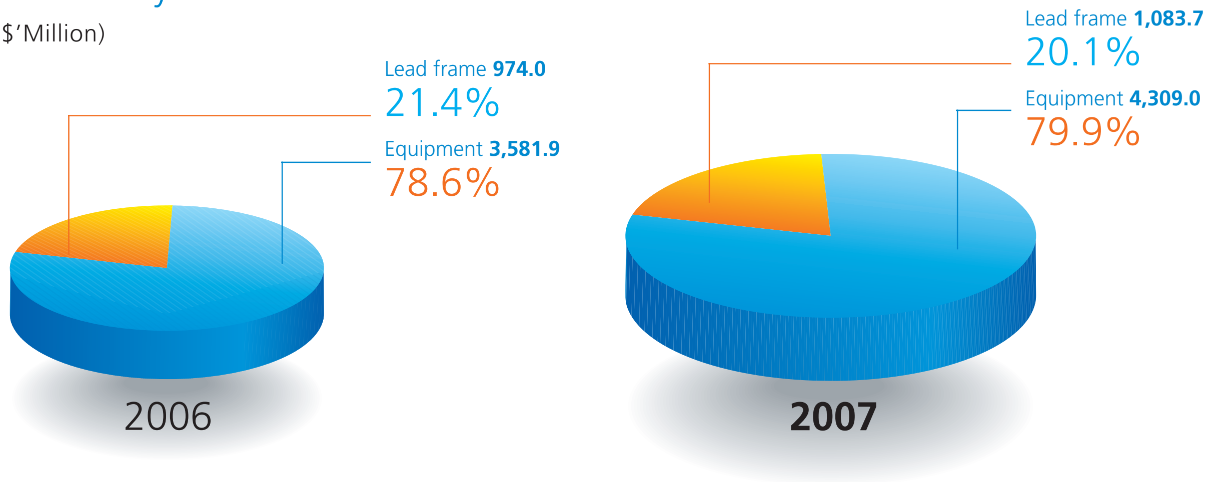
Review

Last year was another record-setting year for the Company, during which we successfully surpassed the historical highs achieved in 2006 on the back of another year of strong growth. The growth was broad-based, with improvements seen across all our major products, breaking new records and setting new benchmarks for each of these products.

Although we encountered some softening in the general market towards the end of 2006 which resulted in a slow start to the first quarter of 2007, our order intakes began to rebound during the first quarter and the momentum continued unabated throughout the rest of the year. From the second to fourth quarters, the growth was strong and sustained, setting new records for quarter-on-quarter as well as year-on-year growth. It was also encouraging that, in the fourth quarter, we did not experience the usual seasonal lows of the past towards the end of the year. Our strong performance clearly demonstrated that we were able to react faster to market changes as compared to our peers when the market picked up after the first quarter.

Turnover by Products

(HK$'Million)



Review continued

Consumer electronics, such as personal computers, mobile phones, flat-panel displays, MP3 players and digital cameras continued to be the driver of growth for the semiconductor industry in 2007. This source of demand has remained fairly strong for some time. The consumer electronics market is now estimated to absorb 50% of semiconductor output and will continue to grow. According to several leading industry analysts, the growth in the semiconductor industry ranged from 3-6% in 2007. While the semiconductor assembly and packaging equipment market is generally estimated to have grown by about 10% during the same period, the actual performance of different equipment suppliers varied. Two out of the top five semiconductor assembly and packaging equipment suppliers reported increased sales in 2007, ASM being one, but the remaining three experienced a drop in their 2007 sales revenue. Significantly, these powerful results reflect a consistent, ongoing gain in market share for ASM, with our broad product portfolio and calculated product mix contributing to our good performance.

Over the past few years, ASM has consistently outperformed its industry peers. Last year, we achieved a Group turnover of US$691 million and net profit of HK$1,269 million, both of which are new records for ASM. This represents 18.4% and 10.4% growth respectively over the previous year. Return on capital employed and on sales were 49.2% and 26.4%. Such a strong financial performance clearly reflects ASM's industry leadership and the consistently growing acceptance of our products and services, putting us in a favourable position to further build upon our gains. Our overall book-to-bill ratio, representing net bookings over billings, was 1.07 for the year, an increase year-on-year from the preceding year. In addition, our ending order backlog as of 31 December 2007 was US$150 million.

This remarkable performance is a clear indication that my long time business partner and co-founder of ASM, Patrick Lam, not only built a very successful business during his tenure but also developed a very good team of people at the Company. It is through these people that ASM has continued to make outstanding progress after Patrick's retirement last year. The legacies of his many successes are reflected in the strong ASM culture that has been inculcated, the long-term and farsighted business strategies that still drive the Company, and the capable management team that has been groomed to succeed him.

ASM has built a solid business foundation based on diversified products serving broad application markets. Our financial performance in recent years is unambiguous evidence of the success of this strategy. Coming out of the industry recession in 2001, both our equipment business and lead frames business have been growing at a CAGR of around 23% from 2001 to 2007. Last year, our equipment revenue hit a new record of US$552 million, equivalent to 79.9% of the Group's turnover, representing a growth of 20.3% over the previous year. ASM was again the top player in its industry, keeping the premier position we have held since 2002. We widened the gap between ourselves and our closest rival to US$187 million, representing a lead of over 50.9%. Significantly, our lead frame business continues to grow at a rate higher than the market. Our lead frames revenue in 2007 was a record of US$139 million, growing by 11.3%, largely as a result of a strong gain in market share. This highlights the success of our efforts to further enhance our market position in the lead frames business.

Review continued

Our new products introduced in 2007 were well received.

- The AD830 die bonder, which is designed for achieving high productivity for small-die applications, has been one of the most successful products in the company's history.
- In the area of Chip-on-Board (COB) aluminium wire bonders, the performance of our Cheetah™ offers unmatched performance levels over that of our competitors' equivalent products.
- Our Chip-on-Glass (COG) bonders have completed successful and promising field testing, and appear to have garnered strong market acceptance.
- Our new generation gold wire bonder, the Eagle Xtreme™, has been sent out to customers for field testing and bench-marking; its excellent performance has made a strong impression on our target market.
- Our encapsulation solutions group continues to be recognized and chosen by customers as their new package development partner.
- Our open-tool high density matrix lead frames offer good value propositions to customers. To address the growing demand for MSL 1 (moisture sensitivity level 1) lead frames, besides offering the brown oxide treatment for Ag plated lead frames, we have developed the micro-etching solution for NiPd pre-plated frames (PPF). Field testing results show that it delivers superior performance than solutions offered by other lead frames suppliers.

ASM not only enhances customer value by constantly developing new products delivering higher performance at significantly lower costs, but also through outstanding customer service. Last year, our encapsulation solutions group was honored with an award by one of our key customers for going beyond the call of duty to provide a solution for the customer that involved re-using an existing molding machine. The solution was low cost, and enabled them to meet a tight production schedule, thereby contributing positively to the customer's results. Such efforts have enhanced ASM's reputation as not just an equipment supplier, but also as a trusted partner and total-solutions provider.

Liquidity and Financial Resources

Cash on hand as of 31 December 2007 was HK$778 million (2006: HK$915 million). During the twelve-month period, HK$972 million was paid as dividends and HK$321 million was spent in capital investments. A good portion of the capital investments was funded by the year's depreciation of HK$198 million. While account receivables have been tightly monitored during the year, with record billings they have slightly increased to 81.2 days sales outstanding (2006: 71.1 days).

There was no bank borrowing as of 31 December 2007. Current ratio was 2.72, with a debt-equity ratio of 37.6%. As there were no long term borrowings, gearing of the Group was zero, the same as for the past eight years. The Group's shareholders' funds increased slightly to HK$2,950 million as at 31 December 2007 (2006: HK$2,562 million).

Liquidity and Financial Resources continued

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.

With no short-term needs and an on-going positive cash flow from organic growth operations, our cash on hand permits ASM management to recommend a sustained high level of dividend to return excessive cash holdings to our shareholders.

Human Resources

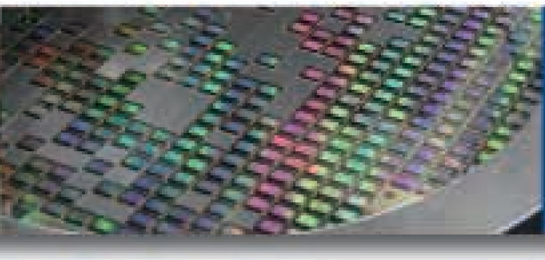
ASM recognizes human resources as one of the Company's most important assets. Recruiting and retaining high calibre employees is always of high priority in ASM. Besides offering competitive remuneration packages ASM also commits to specialized yet demanding staff development and training programs. In general, salary review is conducted annually. In addition to salary payments, other benefits include contributions to provident fund schemes, medical and training subsidies. Discretionary bonus and incentive shares may be granted to eligible staff based on the Group's financial results and individual performance.

As of 31 December 2007, the total headcount of the Group worldwide was approximately 10,000 people.

Prospects

Although there have recently been much-publicized uncertainties in the global economy brought about by the sub-prime turmoil, volatile stock markets and record high oil prices, we are of the view that the fundamentals of the semiconductor industry remain healthy. In our own experience, our fourth quarter results were better than we had anticipated despite the onset of these macro-economic factors, as well as the fact that the end of a year is traditionally a slower period due to seasonal demand pattern.

Spending on consumer electronic products will certainly continue to be an important driver of growth for the semiconductor industry. If consumer confidence and spending are affected by economic uncertainties, it is logical to assume that the reduced demand may spread to the semiconductor market. On the other hand, there are convincing arguments made by leading economists that the Asian economies are more decoupled from the US economy than ever before. If that is correct, even if the US economy slips into a recession, it will not drag the Asian economies into a corresponding recession even though overall growth rates may be slowed. Some industry analysts have also argued that since the end market determines the ultimate demand for semiconductor devices, even if there is a mild recession, the consumer electronics market should continue to grow. At the moment,



RECORD PERFORMANCE

Record Group turnover of US$691 million, a growth of 18.4% over the previous year, far exceeding the industry average growth.

Prospects continued

home-grown demand in the Asian economies still appears to be strong. The semiconductor industry is forecast to grow by another 6-12% in 2008. After the strong growth experienced in 2007, some industry analysts have predicted that the global assembly and packaging equipment industry will experience single-digit growth of about 6% in 2008, but may contract by about 8% in 2009.

ASM's management team has always sought to adopt a long-term business strategy that would enable the Company both to ride on the crest of the good times and maintain its competitiveness and profitability even in the face of a slowdown. Whilst we do not rule out the prospect of a slowdown in the semiconductor industry, we will continue to adhere to our guiding philosophy of adopting long-term business strategies to strengthen our investments. These include growing our business by investing in new and cutting-edge technology, as well as investing in gradual and sustained increases in capacity.

ASM's solid business success has been built upon a set of proven business strategies:

- offering multiple products serving diversified application markets;
- customer-centric focusing on customer value creation;
- vertical integration strategy and strategic choice of low-cost manufacturing locations;
- providing customers with innovative, total packaging solutions based on ASM's equipment and lead frames to meet their ever-expanding new product requirements.

We will continue using these winning strategies to pursue internal organic growth while exploring untapped market potentials. Management is confident that ASM's strong financial background, advanced in-house developed enabling technologies, extensive marketing network and dedicated employees will continue to support the Company's long term success.

Appreciation

After another year of robust growth, we wish to place on record our appreciation to all our employees, customers, suppliers and stakeholders for their continued support and contributions to the success of the Company.

Arthur H. del Prado
Chairman
27 February 2008

TEAMWORK

ASM recognizes human resources as one of the Company's most important assets. Teamwork among our employees has always been encouraged and practiced as a corporate culture.

Management Discussion and Analysis

Overview

We are pleased to announce that our Group performance in 2007 – in terms of turnover, profitability and earnings-per-share – was the best in our corporate history, clearly reflecting ASM's seamless execution of its winning strategies and continuously increasing momentum in the marketplace. We experienced 18.4% in revenue growth in 2007, easily surpassing the market growth rate.

We are still reaping the benefits of the farsighted decision to widen our product portfolio to support diversified market segments. Such diversity has turned out to be both a protector of the company's revenue streams and a strong driver of growth. This was definitely a more demanding route to take instead of relying only on our proven successful products. As a result, whilst we continue to take great strides and achieve significant technological advances in our die and wire bonder market segments, we have also made outstanding progress in the areas of flip chip bonders, encapsulation equipment, integrated test handlers and other CSP (Chip Scale Packaging) assembly equipment, enabling us to take advantage of new growth opportunities. With this strategy, ASM has not only enjoyed relative stability in its revenue streams, but more importantly, has repeatedly achieved record revenues and profits. ASM is now a thriving business which is growing increasingly resilient in a very competitive industry. Our expansive product portfolio, broad market approach and strong financial position has allowed us to react faster to market demands, and to introduce outstanding products with value propositions that are unparalleled in the industry.

In 2007, we saw increased demand from subcontractors as compared to IDMs, reflecting a trend in the industry towards outsourcing assembly work to subcontractors. Our revenue continues to be well-diversified both in terms of product range as well as geography. In line with the growing diversification of our product range, our customer base is also becoming more diversified. In 2004, our top 5 customers accounted for about 28% of the Group's revenue, whereas in 2007, our top 5 customers accounted for only 19.4%, despite the significant growth of almost US$200 million in our revenue between 2004 and 2007. Such diversification testifies to the growing acceptance of the Group's products by a larger pool of customers. It is also an indication that ASM is not overly reliant on any one of its major customers to either maintain the current phenomenal growth or to contribute to further growth. However, such diversity demands a good sales and support network and accompanying infrastructure to provide a high level of service to customers. Commitment to customer service has been one of ASM's strengths and it will continue to be so in the future.

On a geographical basis, China, Taiwan and Malaysia are still our largest markets. In particular, the growth experienced in the China market has been outstanding and further cemented its spot as our largest market by far. Taiwan has again maintained its strong number two position. The gap between China and Taiwan had increased from 4.4% in 2005 to 21.5% in 2006, but has now widened even further to 43.4% in 2007. This occurred despite our sales in Taiwan posting robust growth in 2006 and 2007.

FROM STRENGTH TO STRENGTH

In 2007, we have successfully surpassed the historical highs achieved in 2006 on the back of another year of strong growth.

Overview continued

China is the world's most populous country, and we believe that it will continue to grow in importance. Nevertheless, there are challenges involved, such as its territorial size and the tendency for customer locations to be spread out widely amongst various cities throughout the country. ASM's strength in customer service, extensive sales and support network and robust infrastructure should put it in good stead to parallel the growth of this unique geographical market.

Market and Product Development

Equipment Division

In 2007, ASM once again outperformed its competitors in revenue increase. Reinforcing our position as the top equipment supplier in the industry, our equipment revenue increased by 20.3% to US$552 million, representing 79.9% of the Group's turnover and the highest in our corporate history. We retained the number one position in the assembly and packaging equipment industry that we have held since 2002. In fact, coming out of the industry recession in 2001, our equipment business has been growing at a CAGR of around 23% from 2001 to 2007. We have also widened the revenue gap between us and our closest rival from just US$9.3 million in 2002 to US$187 million last year, representing a lead of 50.9%.

The semiconductor industry continues to benefit from the boom in demand for consumer electronic products such as flat panel televisions, mobile phones and MP3 players. As the premier supplier of semiconductor packaging and assembly equipment, ASM remains a major beneficiary of this strong demand, since IC packaging is a major technology enabler for bringing such products to market in the fastest and most cost-efficient manner. With ASM's diversified product portfolio, it is well-placed to continue to benefit from its participation in the many different application markets that cater to consumer electronic products.

The recovery in 2007 was broad based for ASM. Almost all product segments of our Equipment business achieved either record quarterly billing or the 2nd highest in the Company's history. This is in marked contrast to the general market where only two out of the top five semiconductor assembly and packaging equipment suppliers, including ASM, reported increased sales in 2007.

As the world's top supplier of die bonders and die handling equipment, we have a wide range of models to address the diverse needs of our customers in many different applications such as IC, discrete, power and LED. Not only can we provide solutions for handling different die sizes, we are also well-positioned to provide solutions for enhancing productivity and versatility in many different applications. For instance, our recently introduced Multi-Chip Module (MCM) bonder is suitable for System in Package (SiP) applications, and our flip chip bonders are specially tailored for Chip-on-Glass (COG) bonding to serve unique applications such as the manufacturing of flat-panel displays.

TECHNICAL EXPERTISE

As the world's top supplier of Assembly & Packaging Equipment, we have a wide range of models to address the diverse needs of our customers in many different applications such as IC, discrete, power and LED.

Market and Product Development continued

Equipment Division continued

ASM continues to lead in wire bonding technology. After rigorous testing by a major customer, our latest generation gold wire bonder, the Eagle Xtreme™, was declared by the customer to be the only wire bonder in the world capable of 30um fine pitch bonding. Our aluminium wire bonders are equipped with high performance linear motors and have solidified ASM's two-decade leadership in the chip-on-board (COB) application market. We also hold a leadership position in copper wire bonding technology, an area where customers driven by the need to reduce cost and to enhance electrical performance for dies with very small line widths have increasingly been turning to us to provide them with suitable solutions. Our dual head gold wire bonder is unique and unparalleled in its cost-effectiveness; it is an excellent example of the success of our Blue Ocean Strategy.

In 2007 we continued to make good progress in our Encapsulation Solutions Group (ESG), formerly know as the Automold Group. With our superior technology in Pinnacle Gate System (PGS) and Package-on-Package (PoP) molding, ASM was selected by several key customers as their partner in advanced new package development. This advanced capability also helped ASM gain entry to a number of new accounts. The change of the group's name reflects alterations to its charter. Whereas in the past the group only dealt with the molding of IC devices, in the future ESG will encompass encapsulation of LEDs and possibly some other electronic modules.

We see encapsulation solutions and test handlers as promising growth-drivers in the near future. In a bid to streamline our existing encapsulation and post encapsulation product operations, the Back End Product (BEP) business unit was formed in 2006. This was primarily a merger of various back-end products such as our encapsulation systems, ball placement, package singulation and test handler groups into a single business unit. So far the results have been encouraging, as our initial expectations of the benefits of greater resources being allocated to these products have been met. The integrated business unit has proven to be worth more than the sum of its parts, successfully furthering its contribution to ASM's turnover during the past year. We believe that the BEP business will continue to see thriving growth in the coming years.

Closely linked with this growth is the increasing influence of the BEP business unit in undertaking packaging development programs with customers, reflected in the heightened interest of our customers to cooperate with us in developing new packaging solutions. ASM's commitment to developing total packaging solutions based on its equipment and leadframes has been very effective in providing customers with innovative approaches to meet their new package challenges. We believe that this win-win approach will gain us valuable market share as well as helping to promote our other related products to customers.

CAN DO SPIRIT

Our strong performance clearly demonstrated that we were able to react faster to market changes as compared to our peers.

Market and Product Development continued

Lead Frame Division

Last year our lead frame business again showed the benefits of the increased resources we allocated to the segment. Record billings were achieved for successive quarters in 2007. Lead frame revenue achieved a strong 11.3% growth and contributed to 20.1% of the Group's total turnover in 2007. This is clear evidence of our good progress in strengthening the competitive position of our lead frame business through strategic realignment.

In fact, our lead frame business has seen a compound annual growth rate of 25.3% per year from 2003 to 2007. In comparison, SEMI has estimated that the growth rate of the lead frame market has totaled a mere 18.3% for the whole of the corresponding period, or a compound annual growth rate of 4.3% per year. There can be no doubt we have far outpaced the overall growth of the lead frame market.

Unsurprisingly, with our increased capacity in stamped lead frames and the maturing of our manufacturing operations at our factory in Fu Yong, Shenzhen, China, our stamped lead frame operations have delivered particularly excellent results. Allied to this is the increasing popularity of ASM's high-density, open-tool lead frame solutions that we have offered to customers. Offering such open-tool lead frame solutions has not only helped the Company penetrate new accounts but has in turn created business opportunities for our related equipment.

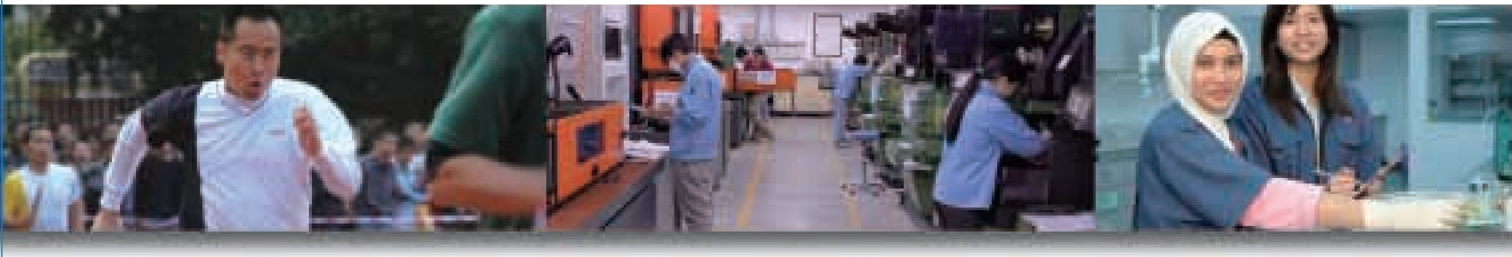
Last year, our new lead frame factory in Malaysia successfully moved through the learning phase, and the increased etched lead frame production output has contributed positively to our lead frame revenues and margin in the second half of the year.

ASM's lead frame business as a whole experienced very strong growth in the second half of 2007, achieving a record turnover of more than US$80 million, an increase of 23.8% over same period in 2006 and 37.3% over the preceding six months. Despite metal prices remaining at a very high level, with much higher output and improved operational efficiency – partly contributed by the readiness of our new factory in Malaysia – we achieved a significant improvement in return on our lead frame business over the second half of 2007.

We have also successfully taken steps to meet the growing demand from customers for MSL 1 (moisture sensitivity level 1) lead frames. A high capacity fully automated brown oxide treatment line has been installed in our lead frame factory in China. An automatic selective silver plating line has been installed in our Malaysian factory to produce QFN lead frames that meet MSL 1 requirements and micro-etching technology has also been developed by us to roughen the surfaces of lead frames to attain MSL 1, especially for pre-plated lead frames (PPF). Tests carried out by various customers showed that ASM offers superior MSL 1 solutions to the other suppliers.

VALUE INNOVATION

We are continually encouraged to push the technology envelope to deliver innovative solutions to meet or even exceed the demands of customers.



Market and Product Development continued

Lead Frame Division continued

With the readiness of our factory in Malaysia, expansion of our etching capacity is underway in our factory in Singapore. A new etching line has been installed in the 2nd half of last year and another line will be installed within this quarter. The investment we put in will both upgrade our technology and expand our capacity for etched frames. Over the next few years, our Etched lead frame business is expected to repeat the continuing success story of our Stamp frame group.

Financial

In another year when we have had to deal with a much wider range of products than in the past, and production run rates much higher than in previous years, we continued to streamline our working capital management with positive results. Last year, we achieved an inventory turnover of 6.53 times (2006: 6.75 times), with an ending inventory of HK$912.3 million to deal with the much higher revenue. Although capital investments amounting to HK$321 million were made in 2007, our sound working capital management resulted in a free cash flow of HK$694.8 million (2006: HK$1,049 million) and a return on invested capital of 69% (2006: 64.6%). The reduction in free cash flow was mainly a result of higher work capital to support the increase in billing. Receivables have been tightly monitored, resulting in 81.2 days sales outstanding. Bad debt exposure, if any, is immaterial and well-covered by provisions made in conformity with ASM's policy. There was a cash conversion cycle of 122.9 days. Cash on hand as of 31 December 2007 was HK$778.2 million (2006: HK$914.7 million)

With no bank borrowing either for the short or long term, ASM achieved an all bank debt to equity ratio of zero and no gearing for the Group, essentially the same situation as during the past eight years. With rigorous control over our current assets and liabilities, the current ratio stood comfortably at 2.72. The Group's shareholders' funds increased 15.1% to HK$2,950 million as of 31 December 2007 (2006: HK$2,562 million). Order backlog amounted to US$150 million on the same date.

ASM's strong financial position is the result of our consistently profitable and cash-generating business performance in past years, as well as our conservative fiscal policy, prudent investment planning and strict working capital management. With no short term need for major cash outlay while we continue our organic growth strategy, we aim to maintain our policy of operating the Group with the optimum shareholder fund and returning any excessive cash holdings to our shareholders.

IMPECCABLE EXECUTION

Group performance in 2007 – in terms of turnover, profitability and earnings-per-share – was the best in our corporate history, clearly reflecting ASM's seamless execution of its winning strategies and continuously increasing momentum in the marketplace.

Capacity and Plant Development

Last year, we added additional floor space at our factory in Hong Kong to cater for further capacity expansion of our equipment, R&D and other operations, especially for die bonders and CSP equipment. We have also set up a 120,000 square feet new factory in Fu Yong, Shenzhen, China to provide production space for dedicated module assembly, parts fabrication and system integration for our Back End Product (BEP) activities, as well as expanding our tooling and mold shops. Making use of the space vacated we have further expanded our production capacity for bonders.

The robust expansion that we started to undertake in 2006 turned out to have been undertaken just in time, and it was one of the reasons why we significantly outperformed the competition starting from the second quarter of 2007.

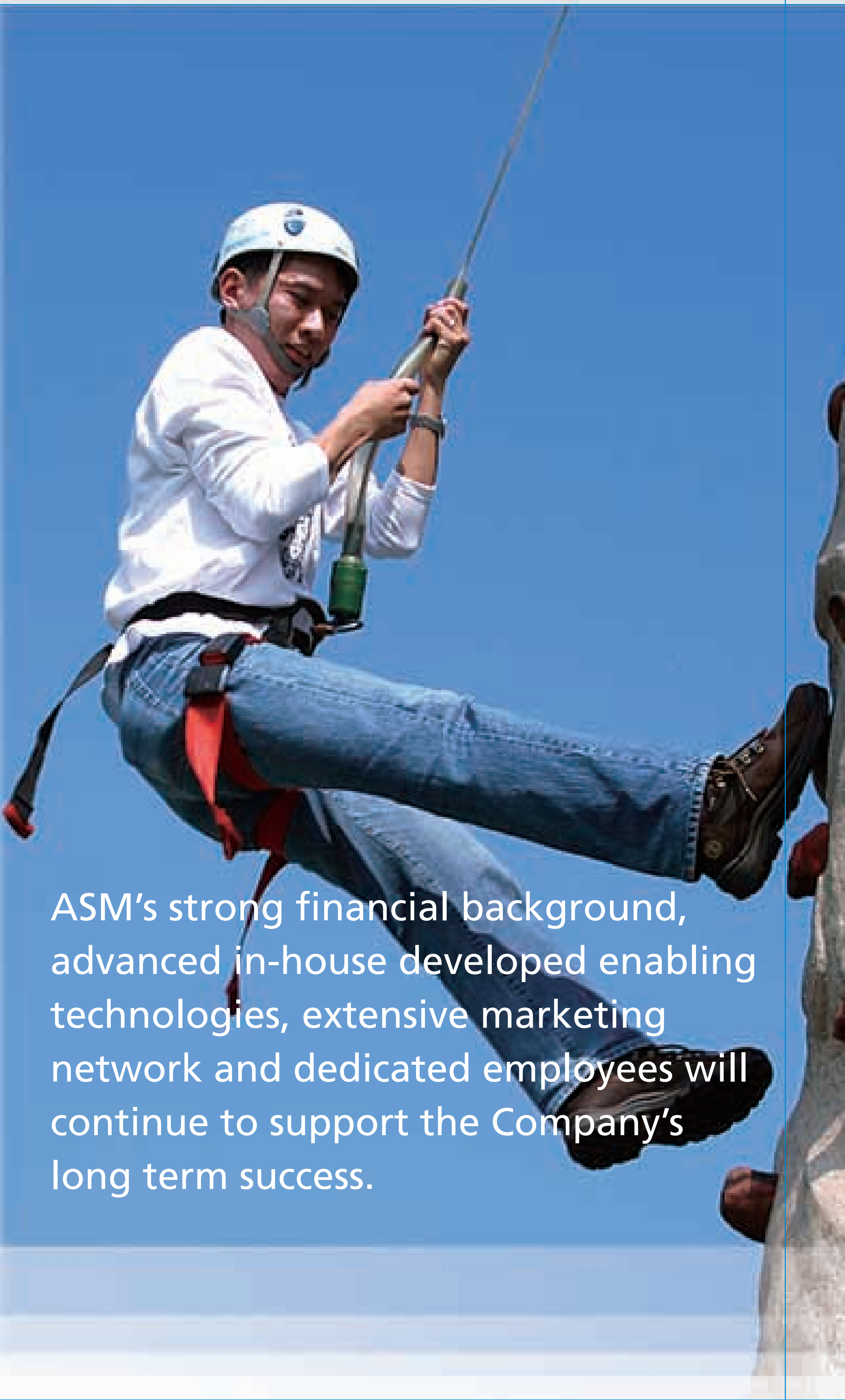
After making major efforts in the past two years investing in infrastructure to increase our production capacity, our primary objective this year will now turn to improving the operations of the various factories and facilities to further capitalize on the benefits of economies of scale. Another major focus will be to increase our productivity, such as by automation, by replacing old production equipment with more advanced models and by improving work procedures and efficiency. An automation group will be set up to drive this initiative forward.

Since we expect the semiconductor industry to continue to grow and we are gearing ourselves to gain additional market share, we see a need to further increase our production capacity to keep pace with the anticipated growth. With our strong financial background we will continue to adopt long term business strategies and ignore short term market fluctuations.

This year, we have also allocated more resources to further upgrade our IT infrastructure, and fully expect this will contribute positively to improving our efficiency. More resources will also be put into continuing to enhance our R&D capability.

All together, our capex (capital expenditures) budget for 2008 is HK$330 million, a level similar to that of 2007.

PURSUIT OF EXCELLENCE



ASM's strong financial background, advanced in-house developed enabling technologies, extensive marketing network and dedicated employees will continue to support the Company's long term success.

Research and Development

"Smaller, faster, cheaper" has been the refrain of the electronics industry since the first microprocessors and personal computers were commercially introduced some four decades ago. Today, in nearly every consumer market, from communications, entertainment and transportation to education and healthcare, there is a growing demand for electronic devices that combine high functionality with high performance. The semiconductor industry is meeting these challenges with innovative technologies that are changing the face of the transistor as well as device interconnects and packaging.

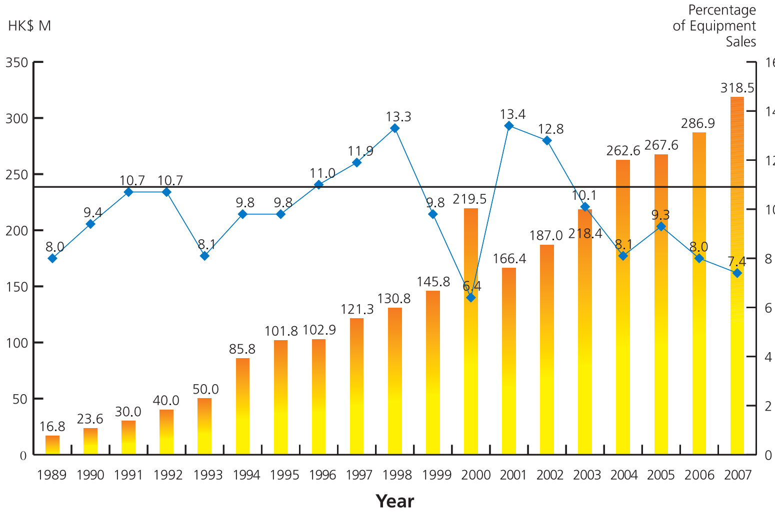
We are continually encouraged to push the technology envelope to deliver innovative solutions to meet or even exceed the demands of customers. Our customers' unrelenting needs for ever lower assembly and packaging costs, new package types like QFN, stacked die, stacked package, flip chip and system-in-package, and the ceaseless search for ever more demanding machine and material specifications for fine pitch wire bonding, thin die attachment and ultra thin molded packages necessitate innovative solutions and strong research and development (R&D) commitments from us. We have risen to the challenge so far and fully intend to do so in the future.

ASM's strategy over the years has been to deliver the best value propositions to our customers, and we believe in investing substantially in R&D to implement this strategy. Our R&D expenditures and our talent pool have risen year after year. We have maintained our long-standing policy of spending 10% of equipment turnover on R&D and ignored short-term sales fluctuation. This has been especially important in enabling us to widen our product portfolio to support diversified market segments.

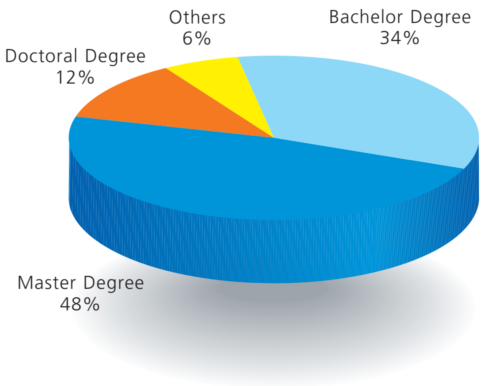
Our current research and development teams based in Hong Kong and Singapore consist of 650 people with close to 60% of them having a Master or PhD degree. Our net R&D expenditure increased by 11% to HK$318.5 million (2006: HK$286.9 million), representing 7.4% of our equipment sales and in line with our R&D funding guidelines.

Nevertheless, in order to support the further growth of the company, we have decided to set up a third R&D centre to supplement the existing R&D centres in Hong Kong and Singapore. We anticipate that this move will help the company to be better prepared to capture new business opportunities and to accelerate further market share gain in our existing businesses.

R & D Expenses
98 – 07 US$282.5 million or 8.9%



Educational Background of R & D Staffs



Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007.

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.

Results and Appropriations

The Directors recommend the payment of a final dividend of HK$1.10 (2006: HK$1.00) per share and a second special dividend of HK$0.40 (2006: HK$0.20) per share which, together with the interim dividend of HK$0.70 (2006: HK$0.70) per share and a first special dividend of HK$0.60 (2006: HK$0.75) per share paid during the year, makes a total dividend for the year of HK$2.80 (2006: HK$2.65) per share, and the retention of the remaining profit for the year of HK$178,064,000.

Details of the results of the Group are set out in the consolidated income statement on page 42.

Property, Plant and Equipment

During the year, the Group continued to expand its manufacturing facilities. The Group acquired plant and machinery for approximately HK$255,524,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2007 are set out in note 32 to the consolidated financial statements.

Share Capital

On 14 December 2007, 1,789,000 shares were issued at par to certain employees pursuant to their entitlements under the Company's Employee Share Incentive Scheme.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, amounted to HK$1,528,259,000 (2006: HK$1,432,168,000). In accordance with the Company's Articles of Association, dividends can only be distributed out of profits of the Company.

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	
Lo Tsan Yin, Peter, Vice Chairman	(appointed on 1 January 2007)
Lee Wai Kwong, Chief Executive Officer	(appointed on 1 January 2007)
Chow Chuen, James, Chief Operating Officer	(appointed on 1 January 2007)
Tang Koon Hung, Eric, Chief Financial Officer	(re-designated as Executive Director on 1 February 2007)
Fung Shu Kan, Alan	(resigned on 16 April 2007)

Non-executive Directors:

Arnold J.M. van der Ven	
Lam See Pong, Patrick	(re-designated as a Non-executive Director and Honorary Chairman on 1 January 2007 and resigned on 1 July 2007)

Independent Non-executive Directors:

Orasa Livasiri	
Lee Shiu Hung, Robert	
Lok Kam Chong, John	(appointed on 9 March 2007)

In accordance with Articles 113 and 114 of the Company's Articles of Association, Arthur H. del Prado, Tang Koon Hung, Eric and Arnold J.M. van der Ven will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

The biographical details of the Directors during the year and up to the date of this report are set out below:

Arthur H. del Prado is the Chairman of the Company and President, Chief Executive Officer and founder of ASM International N.V. ("ASM International"), the holding company of the Company. He is also a director of certain subsidiaries of 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. Arthur H. del Prado was formerly a member of the Board of Directors of: Océ van der Grinten Nederland N.V., Manufacturer of Copiers and Printers; G.T.I. Holding N.V., an Electronic Equipment and Installations company; Delft Instruments N.V., a Manufacturer of High-Technology Industrial and Defence Products; Breevast N.V., Project Development and Management; Dujat, Dutch & Japanese Trade Federation and ABN-AMRO Bank, Advisory Counsel.

Lo Tsan Yin, Peter, aged 59, was appointed to the Board as the Vice Chairman of the Company on 1 January 2007. He has a Bachelor of Science degree in Electronics Engineering from the University of Southampton, England. Mr. Lo joined the Group in 1980. He has over 30 years of experience in the computer and semiconductor industry.

Directors continued

Lee Wai Kwong, aged 53, was appointed to the Board as the Chief Executive Officer on 1 January 2007. He has a Bachelor of Science degree and a Master of Philosophy degree from The Chinese University of Hong Kong, Hong Kong; both degrees are in Electronics. He also has a Masters degree in Business Administration from the National University of Singapore, Singapore. Mr. Lee joined the Group in 1980. He has over 25 years of working experience in the semiconductor industry. Mr. Lee is also a member of the Management Board of ASM International since 1 January 2007.

Chow Chuen, James, aged 51, was appointed to the Board as the Chief Operating Officer of the Company on 1 January 2007. He has a Bachelor of Science degree in Electrical Engineering from the University of Hong Kong and a Master of Science degree in Manufacturing System Engineering from the University of Warwick, England. Mr. Chow joined the Group in 1982. He has over 25 years of working experience in the electronics and semiconductor industry.

Tang Koon Hung, Eric, aged 62, was re-designed as Executive Director and was appointed as the Chief Financial Officer of the Company on 1 February 2007. Mr. Tang was qualified as a Chartered Accountant in Canada and he is also a member of the Hong Kong Institute of Certified Public Accountants. He has worked in the fields of manufacturing, banking, and public utilities with some major corporations both in Canada and in Hong Kong. Graduated from the University of Toronto, Canada, Mr. Tang holds a Bachelor degree in Industrial Engineering and a Masters degree in Business Administration.

Fung Shu Kan, Alan, Executive Director, aged 57, was the Financial Director of the Group in charge of financial planning and control and resigned on 16 April 2007. He obtained his Diploma and Masters degree in Business Administration from Hong Kong Polytechnic and the University of East Asia, Macau, respectively. He joined the Group in 1978 and before that he had worked for two multinational semiconductor companies for over 10 years.

Arnold J.M. van der Ven, aged 48, was appointed as the Non-executive Director of the Company on 14 March 2006. Mr. van der Ven is the Chief Financial Officer and member of the Management Board of ASM International. Mr. van der Ven has more than 16 years of experience in finance and management. He holds a MBA degree from the University of Chicago, the United States, and a law degree from the University of Leiden, the Netherlands. Mr. van der Ven started his career at McKinsey & Company in 1985. Mr. van der Ven was Chief Financial Officer of Axxicon Group N.V., the Netherlands from 1991 to 1997. He was also the Chief Financial Officer and Member of the Executive Board of Novamedia Holding B.V., the Netherlands from 2001 to 2004 and of Vedior N.V., the Netherlands from 1997 to 2000.

Lam See Pong, Patrick, aged 59, was re-designated as a Non-executive Director and Honorary Chairman on 1 January 2007, and resigned on 1 July 2007. Dr. Lam is the co-founder, retired CEO and Group Managing Director of the Company. He has over 36 years of experience in computer and semiconductor industry. He joined the Group in 1975, and has been at its helm since inception till retirement in December 2006. Dr. Lam is a member of the Board of Directors of The Hong Kong Applied Science and Technology Research Institute Company Limited ("ASTRI") and an Adjunct Professor of the Manufacturing Engineering and Engineering Management Department, The City University of Hong Kong, Hong Kong. Dr. Lam has a Bachelor of Science degree in Electrical Engineering from the University of Manitoba, Canada, a Master's degree in Business Administration from The Chinese University of Hong Kong, Hong Kong, and an Engineering Doctorate degree in Engineering Management from The City University of Hong Kong, Hong Kong.

Directors continued

Orasa Livasiri, Independent Non-executive Director, aged 52, was appointed to the Board as an Independent Non-executive Director in 1994. She is a solicitor in private practice and is a partner of Messrs. Ng, Lie, Lai & Chan.

Lee Shiu Hung, Robert, Independent Non-executive Director, aged 75, was appointed to the Board on 23 December 2004. Mr. Lee is a Certified Public Accountant with over 40 years of practical experience in auditing, accounting and finance, taxation and general management. He was engaged in private practice in the name of Robert S.H. Lee & Co., Certified Public Accountants since 1984 until his retirement in 2000. Mr. Lee previously held senior executive positions in multinational groups, including Jardine Matheson & Co. Limited and Hutchison International Limited. He was a President of the Society of Chinese Accountants & Auditors, Hong Kong in 1983/84 and a President of the Australian Society of Certified Practising Accountants (CPA Australia) Hong Kong Branch in 1986/87. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, CPA Australia; the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is a member of the Advisory Board of the Society of Chinese Accountants & Auditors, Hong Kong.

Lok Kam Chong, John, aged 45, was appointed to the Board as an Independent Non-executive Director on 9 March 2007. Mr. Lok is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has 20 years of experience in financial management and corporate controllership. Mr. Lok started his career as an auditor in an international accounting firm and then moved to work for some major financial information companies, including Moneyline Telerate (Hong Kong) Ltd. and Dow Jones Telerate. He is currently the Audit Principal of Oriental Link CPA Limited. Mr. Lok holds Dual Degrees in Master in Business Administration and Master of Science in Information Technology from The Hong Kong University of Science and Technology.

Senior Management

The Group's senior management team includes, other than the executive directors, Mr. Wong Yam Mo, the Chief Technical Officer of the Group. His biographical information is as follows:

Wong Yam Mo is the Chief Technical Officer of the Group. He has a Bachelor of Science degree in Mechanical Engineering and a Masters degree in Industrial Engineering, both from the University of Hong Kong, Hong Kong. He also holds a Masters degree in Precision Engineering from Nanyang Technological University, Singapore. Mr. Wong joined the Group in 1983.

Employee Share Incentive Scheme

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

On 8 March 2007, the Directors resolved to contribute HK$179,750 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,797,500 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 2006 upon expiration of the defined qualification period. 274,000 of these share entitlements were allocated to certain Directors.

Employee Share Incentive Scheme continued

On 27 February 2008, the Directors resolved to contribute HK$173,360 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,733,600 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 2007 upon the expiration of a defined qualification period.

Directors' Interests in Shares

Details of the interests of the Directors and chief executives of the Company and their associates in the share capital of the Company and its associated corporations as at 31 December 2007 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions

(a) Shares of HK$0.10 each of the Company:

Name of director	Capacity	Number of shares held	Percentage of shareholding in the Company
Arthur H. del Prado *(Note 1)*	Interest of a controlled corporation	207,427,500	53.10%
Lee Wai Kwong	Beneficial owner	242,000	0.06%
Lo Tsan Yin, Peter *(Note 2)*	Beneficial owner	156,000	0.04%
Chow Chuen, James	Beneficial owner	108,000	0.03%

(b) Share options of ASM International: *(Note 3)*

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2007	Granted during the year	Exercised during the year	At 31 December 2007
Arthur H.del Prado	19.5.2006	19.5.2009 – 19.5.2014	Euro14.08	100,856	–	–	100,856
	23.5.2007	23.5.2010 – 23.5.2015	Euro19.47	–	60,441	–	60,441
Arnold J.M. van der Ven	15.5.2005	15.5.2008 – 15.5.2013	Euro11.18	30,000	–	–	30,000
	2.1.2006	2.1.2009 – 2.1.2014	Euro14.13	20,000	–	–	20,000
	19.5.2006	19.5.2009 – 19.5.2014	Euro14.08	15,680	–	–	15,680
	23.5.2007	23.5.2010 – 23.5.2015	Euro19.47	–	21,917	–	21,917

Directors' Interests in Shares continued

Notes:

1. As at 31 December 2007, Arthur H. del Prado, a member of his immediate family and a foundation controlled by him together held about 21.25% of the issued share capital (equivalent to 11,476,878 shares) of ASM International. A wholly-owned subsidiary of ASM International, Advanced Semiconductor Materials (Netherlands Antilles) N.V. held 207,427,500 shares of the Company as at 31 December 2007. Arthur H. del Prado is deemed or taken to be interested in the 207,427,500 shares. ASM International also holds the fixed-rate participating shares of ASM Assembly Automation Limited, ASM Assembly Materials Limited and ASM Asia 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. As at 31 December 2007, Lo Tsan Yin, Peter beneficially owned 2,500 shares of ASM International.

3. Details of the share option schemes of ASM International are set out in note 30 to the consolidated financial statements.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, as at 31 December 2007, none of the Directors or chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

Directors' Rights to Acquire Shares or Debentures

Other than those rights described under the section headed "Employee Share Incentive Scheme" and the share options of ASM International disclosed above, 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, any of its holding companies, 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 2007, the following persons (other than the interests disclosed above in respect of Directors or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Long positions		Lending pool	
Name of shareholder	Capacity	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International	Interest of a controlled corporation	207,427,500	53.10%	–	–
Advanced Semiconductor Materials (Netherlands Antilles) N.V.	Beneficial owner	207,427,500	53.10%	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	31,097,620	7.96%	–	–

Save as disclosed above, as at 31 December 2007, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person who had any interests or short positions in the shares or underlying shares of the Company.

Directors' Interests in Contracts and Connected Transactions

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

Independent Non-executive Directors of the Company confirmed that the connected transactions have been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Arthur H. del Prado and Lo Tsan Yin, Peter have an interest in ASM International as disclosed in the section headed "Directors' interests in shares" above.

Save as disclosed above, no contracts of significance to which the Company, any of its holding companies, 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).

Emolument Policy

The emolument policy of the employees of the Group is established by the management with reference to the employees' merit, qualifications and competence.

The emoluments of the Directors and the senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company currently has an Employee Share Incentive Scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 25 to the consolidated financial statements.

Pre-emptive Rights

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

Major Customers and Suppliers

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

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

Donations

During the year, the Group made charitable and other donations amounting to HK$1,171,110.

Appointment of Independent Non-executive Directors

The Company has received from each of the Independent Non-executive Directors an annual confirmation of the independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-executive Directors are independent.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

Auditor

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

On behalf of the Board
Lee Wai Kwong
Director
27 February 2008

Corporate Governance Report

The manner in which the principles and code provisions in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") are applied and implemented are explained as follows:

Corporate Governance Practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2007 except for the deviation from Code Provision A.4.1 as described in this report.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The Board

Board composition

The Board of the Company comprises the following directors during the year ended 31 December 2007:

Executive Directors

Arthur H. del Prado (Chairmen of the Board and Remuneration Committee)
Fung Shu Kan, Alan* (Financial Director)
Lo Tsan Yin, Peter (Vice Chairman of the Board)
Lee Wai Kwong (Chief Executive Officer)
Chow Chuen, James (Chief Operating Officer)
Tang Koon Hung, Eric** (Chief Financial Officer)

Non-executive Directors

Lam See Pong, Patrick***
Arnold J.M. van der Ven (Member of Audit Committee)

Independent Non-executive Directors

Orasa Livasiri (Chairman of Audit Committee and Member of Remuneration Committee)
Lok Kam Chong, John**** (Member of Audit Committee and Remuneration Committee)
Lee Shiu Hung, Robert (Member of Audit Committee and Remuneration Committee)

* Mr. Fung Shu Kan, Alan was resigned as Financial Director and Executive Director with effect from 16 April 2007.

** Mr. Tang Koon Hung, Eric was re-designated from Independent Non-executive Director to Executive Director, appointed as Chief Financial Officer and ceased to be member of the Audit Committee and the Remuneration Committee all with effect from 1 February 2007.

*** Mr. Lam See Pong, Patrick was re-designated from Executive Director to Non-executive Director and Honorary Chairman and ceased to be the Managing Director and Chief Executive Officer all with effect from 1 January 2007. He was also ceased to be Non-executive Director and Honorary Chairman with effect from 1 July 2007.

**** Mr. Lok Kam Chong, John was appointed as Independent Non-executive Director and Member of Audit Committee and Remuneration Committee with effect from 9 March 2007.

The Board continued

Board composition continued

None of the members of the Board is related to one another.

With effect from 1 February 2007, Mr. Tang Koon Hung, Eric was re-designated from Independent Non-executive Director to Executive Director. Following the aforesaid re-designation, the Company had only two independent non-executive directors during the period from 1 February 2007 to 8 March 2007. The Board appointed Mr. Lok Kam Chong, John as Independent Non-executive Director with effect from 9 March 2007. Mr. Lok was also appointed as member of the Audit and Remuneration Committees. The Company met the requirement of the Listing Rules to have at least three independent non-executive directors and filled the vacancy in Remuneration Committee with effect from 9 March 2007. Except that, the Board met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise throughout the year ended 31 December 2007.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The position of the Chairman is held by Mr. Arthur H. del Prado while the position of Chief Executive Officer is held by Mr. Lee Wai Kwong during the year ended 31 December 2007. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer, supported by the executive directors, is responsible for managing the Group's business, including implementation of objectives, policies and major strategies and initiatives adopted by the Board.

Appointment and re-election of directors

In accordance with the Company's Articles of Association ("Articles"), all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the first general meeting after appointment.

The Company has not yet adopted Code Provision A.4.1 which provides that non-executive directors should be appointed for a specific term, subject to re-election. All the non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the Company's annual general meetings at least once every three years pursuant to the Company's Articles. As such, the Company considers that such provisions in the Articles are sufficient to meet the underlying objective of the relevant provision of the CG Code.

The Board continued

Appointment and re-election of directors continued

The Board reviewed its own structure, size and composition regularly to ensure that there is a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company does not have written director nomination procedure.

The Chairman and the Chief Executive Officer are responsible for the selection and recommendation of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Mr. Arthur H. del Prado, Mr. Tang Koon Hung, Eric and Mr. Arnold J.M. van der Ven shall retire by rotation in accordance with Articles 113 and 114 of the Company's Articles and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the 2008 annual general meeting of the Company.

The Company's circular dated 28 March 2008 contains detailed information of the directors standing for re-election.

Induction and continuing development for directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has proper understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

Board meetings

Board practices and conduct of meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or to the respective committee members at least 2 days before each Remuneration Committee Meeting or at least 4 days before each Audit Committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Board continued

Board meetings continued

Board practices and conduct of meetings continued

Minutes of all Board meetings and Audit Committee meetings are kept by the Company Secretary while minutes of Board meetings relating to the Employee Share Incentive Scheme and Remuneration Committee meetings are kept by the executive secretary of the Chief Executive Officer. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' attendance records

Four Board meetings were held during the year.

The individual attendance (either in person or through other electronic means of communication) record of each director at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 December 2007 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship		
Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Arthur H. del Prado (Chairmen of the Board and Remuneration committee)	4/4	N/A	3/3
Fung Shu Kan, Alan (resigned on 16 April 2007)	1/1	N/A	N/A
Tang Koon Hung, Eric (re-designated as Executive Director on 1 February 2007)	3/4	2/2	0/1
Lo Tsan Yin, Peter (Vice Chairman of the Board)	4/4	N/A	N/A
Lee Wai Kwong	4/4	N/A	N/A
Chow Chuen, James	4/4	N/A	N/A
Non-executive Directors			
Arnold J.M. van der Ven	4/4	10/12	N/A
Lam See Pong, Patrick (resigned on 1 July 2007)	2/2	N/A	N/A
Independent Non-executive Directors			
Orasa Livasiri (Chairman of Audit Committee)	4/4	12/12	3/3
Lok Kam Chong, John (appointed on 9 March 2007)	3/3	9/9	1/1
Lee Shiu Hung, Robert	4/4	12/12	3/3

The Board continued

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2007.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the "Employees Written Guidelines") who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Delegation of Management Functions

The Company has formalized and adopted the written terms on the division of functions reserved to the Board and delegated to the management.

The Board reserves for its decisions all major matters of the Company, including: objectives and overall strategies of the Company; annual budgets and financial matters; internal control and risk management systems; equity related transactions such as issue of shares/options, repurchase of shares, dividend, raising of capital loan; determination of major business strategy; merger and acquisition; disposal of business unit; major investment; annual financial budget in turnover, profitability and capital expenditure; review and approval of financial performance and announcement; and matters as required by laws and regulations.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders upon request.

The Board committees are provided with sufficient resources to discharge their duties.

Remuneration of Directors

The Company has established a formal and transparent procedure for formulating policies on remuneration of the executive directors of the Company. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2007 are set out on page 62 in note 13 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee comprises four members during the year ended 31 December 2007 except that with the re-designation of Mr. Tang Koon Hung, Eric from Independent Non-executive Director to Executive Director, there were only three members during the period from 1 February 2007 to 8 March 2007. Mr. Arthur H. del Prado is the chairman while all other members are the independent non-executive directors.

The primary functions of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee held three meetings during the year ended 31 December 2007 and the attendance records are set out under "Directors' attendance records" on page 36.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors for the year under review.

The Remuneration Committee has also consulted the Chairman and/or the Chief Executive Officer of the Company about their recommendations on remuneration policy and packages of the executive directors.

Accountability and Audit

Directors' responsibilities for financial reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

Accountability and Audit continued

Internal controls

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

Two presentations were given to the Audit Committee on the financial and internal control system of the Company, using the business cycles identified for the Sarbanes Oxley Act compliance purpose as a basis for the Audit Committee's review of the internal controls of the Company. The Committee was satisfied with the existing controls as presented.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including two independent non-executive directors who possess the appropriate professional qualifications or accounting or related financial management expertise) and one Non-executive director during the year ended 31 December 2007 except that with the re-designation of Mr. Tang Koon Hung, Eric from Independent Non-executive Director to Executive Director, there were two independent non-executive directors and one Non-executive director during the period from 1 February 2007 to 8 March 2007. Ms. Orasa Livasiri is the chairman of the committee. Mr. Lok Kam Chong, John joined the Audit Committee on 9 March 2007. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, internal auditor or external auditor before submission to the Board.

- To review the relationship with the external auditor by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held twelve meetings during the year ended 31 December 2007 and the attendance records are set out under "Directors' attendance records" on page 36. There was one written resolution passed by all Audit Committee members during the year ended 31 December 2007.

During the year under review, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 31 December 2006, first quarter results for the three months' period ended 31 March 2007, interim results for the six months' period ended 30 June 2007, third quarter results for the nine months' period ended 30 September 2007, financial controls system, internal controls system and risk management system as well as the work plan for 2007 audit and fees budget of the auditors and made recommendations on the re-appointment of the auditors.

Accountability and Audit continued

Audit Committee continued

There is no material uncertainty relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Auditor's remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 41.

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, in respect of audit services amounted to HK$5,568,000 and non-audit services amounted to HK$12,071,000 which were reviewed and approved by the Audit Committee.

The Audit Committee recommends the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor at the forthcoming annual general meeting.

Communications with Shareholders and Investors

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Shareholder Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles. Details of such rights to demand a poll were included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be published in newspapers on the business day following the shareholders' meeting and posted on the websites of the Company and of the Stock Exchange.

To The Members of ASM Pacific Technology Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 75, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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
27 February 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	*7*	**5,392,661**	4,555,953
Cost of sales		**(3,039,251)**	(2,476,568)
Gross profit		**2,353,410**	2,079,385
Other income		**36,316**	34,327
Selling expenses		**(440,043)**	(375,802)
General and administrative expenses		**(180,961)**	(172,002)
Research and development expenses	*9*	**(318,525)**	(286,935)
Finance costs	*10*	**(72)**	(199)
Profit before taxation		**1,450,125**	1,278,774
Income tax expense	*11*	**(180,628)**	(129,297)
Profit for the year	*12*	**1,269,497**	1,149,477
Dividend paid	*16*	**972,098**	1,064,413
Dividend proposed	*16*	**585,942**	466,607
Earnings per share	*17*		
– Basic		**HK$3.26**	HK$2.97
– Diluted		**HK$3.25**	HK$2.96

Consolidated Balance Sheet

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	*18*	**995,963**	858,989
Prepaid lease payments	*19*	**9,255**	9,128
Deposit paid for acquisition of property, plant and equipment		**31,401**	–
Deferred tax assets	*26*	**4,140**	878
		1,040,759	868,995
Current assets			
Inventories	*20*	**912,347**	740,161
Trade and other receivables	*21*	**1,328,748**	962,414
Prepaid lease payments	*19*	**514**	480
Bank balances and cash		**778,183**	914,681
		3,019,792	2,617,736
Current liabilities			
Trade and other payables	*22*	**921,580**	765,817
Taxation		**187,324**	149,529
Notes payable to a bank	*23*	**–**	7,244
		1,108,904	922,590
Net current assets		**1,910,888**	1,695,146
		2,951,647	2,564,141
Capital and reserves			
Share capital	*24*	**39,063**	38,884
Dividend reserve		**585,942**	466,607
Other reserves		**2,325,114**	2,056,583
Equity attributable to equity holders of the Company		**2,950,119**	2,562,074
Non-current liabilities			
Deferred tax liabilities	*26*	**1,528**	2,067
		2,951,647	2,564,141

The consolidated financial statements on pages 42 to 75 were approved and authorised for issue by the Board of Directors on 27 February 2008 and are signed on its behalf by:

Arthur H. del Prado
Director

Lee Wai Kwong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 January 2006	38,706	140,973	–	155	70,944	(81,135)	1,720,714	503,177	2,393,534
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	13,339	–	–	13,339
Release upon liquidation of a subsidiary	–	–	–	–	–	(954)	–	–	(954)
Profit for the year	–	–	–	–	–	–	1,149,477	–	1,149,477
Total recognised income and expense for the year	–	–	–	–	–	12,385	1,149,477	–	1,161,862
Sub-total	38,706	140,973	–	155	70,944	(68,750)	2,870,191	503,177	3,555,396
Capitalisation of retained profits in a subsidiary	–	–	–	–	2,035	–	(2,035)	–	–
Recognition of equity-settled share based payments	–	–	71,091	–	–	–	–	–	71,091
Shares issued under the Employee Share Incentive Scheme	178	70,913	(71,091)	–	–	–	–	–	–
Interim dividend declared	–	–	–	–	–	–	(270,942)	270,942	–
First special dividend declared	–	–	–	–	–	–	(290,294)	290,294	–
Second special dividend proposed	–	–	–	–	–	–	(77,768)	77,768	–
Final dividend proposed	–	–	–	–	–	–	(388,839)	388,839	–
Dividends paid	–	–	–	–	–	–	–	(1,064,413)	(1,064,413)
At 31 December 2006 and 1 January 2007	38,884	211,886	–	155	72,979	(68,750)	1,840,313	466,607	2,562,074
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	8,352	–	–	8,352
Profit for the year	–	–	–	–	–	–	1,269,497	–	1,269,497
Total recognised income and expense for the year	–	–	–	–	–	8,352	1,269,497	–	1,277,849
Sub-total	38,884	211,886	–	155	72,979	(60,398)	3,109,810	466,607	3,839,923
Recognition of equity-settled share based payments	–	–	82,294	–	–	–	–	–	82,294
Shares issued under the Employee Share Incentive Scheme	179	82,115	(82,294)	–	–	–	–	–	–
Interim dividend declared	–	–	–	–	–	–	(272,188)	272,188	–
First special dividend declared	–	–	–	–	–	–	(233,303)	233,303	–
Second special dividend proposed	–	–	–	–	–	–	(156,251)	156,251	–
Final dividend proposed	–	–	–	–	–	–	(429,691)	429,691	–
Dividends paid	–	–	–	–	–	–	–	(972,098)	(972,098)
At 31 December 2007	39,063	294,001	–	155	72,979	(60,398)	2,018,377	585,942	2,950,119

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007 HK$'000	2006 HK$'000
Operating activities		
Profit before taxation	**1,450,125**	1,278,774
Adjustments for:		
Depreciation	**197,453**	168,419
Loss on disposal of property, plant and equipment	**175**	1,633
Amortisation of prepaid lease payments	**514**	480
Share-based payments under the Employee Share Incentive Scheme	**82,294**	71,091
Interest income	**(26,739)**	(32,329)
Interest expense	**72**	199
Operating cash flows before movements in working capital	**1,703,894**	1,488,267
Increase in inventories	**(168,634)**	(129,600)
Increase in trade and other receivables	**(359,068)**	(67,638)
Increase in trade and other payables	**152,930**	178,428
Effect of foreign exchange rate changes on inter-company balances	**(17,442)**	(4,471)
Cash generated from operations	**1,311,680**	1,464,986
Income taxes paid	**(147,037)**	(47,699)
Interest paid	**(72)**	(199)
Net cash from operating activities	**1,164,571**	1,417,088
Investing activities		
Interest received	**26,739**	32,329
Proceeds from disposal of property, plant and equipment	**527**	708
Purchase of property, plant and equipment	**(320,971)**	(208,669)
Deposit paid for acquisition of property, plant and equipment	**(31,401)**	–
Net cash used in investing activities	**(325,106)**	(175,632)
Financing activities		
Dividends paid	**(972,098)**	(1,064,413)
(Decrease) increase in notes payable to a bank	**(7,774)**	6,765
Net cash used in financing activities	**(979,872)**	(1,057,648)
Net (decrease) increase in cash and cash equivalents	**(140,407)**	183,808
Cash and cash equivalents at beginning of the year	**914,681**	728,927
Effect of foreign exchange rate changes	**3,909**	1,946
Cash and cash equivalents at end of the year, represented by bank balances and cash	**778,183**	914,681

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 (the "Stock Exchange"). Its parent and ultimate holding company is ASM International N.V. ("ASM International"), a company incorporated in the Netherlands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

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. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s)

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKAS"s) and interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRS"s) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standard, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC) – INT 12	Service concession arrangements[3]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee.

3. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related tax.

Revenue from sales of goods are recognised when goods are delivered and the title has been passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in the consolidated income statement in the year in which the item is derecognised.

3. Significant Accounting Policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life and carried at cost less subsequent accumulated amortisation and any accumulated impairment loss.

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

Impairment loss on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. Significant Accounting Policies continued

Taxation continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. All other leases are classified as operating leases and rental payable are charged to profit or loss on a straight line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease terms on a straight line basis.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

3. Significant Accounting Policies continued

Financial instruments continued

Impairment of financial assets continued

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Loans and receivables assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of loans and receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities, including trade and other payables and notes payable to a bank, are subsequently measured at amortised cost, using the effective interest method. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received from employees determined by reference to the fair value of shares granted at the grant date is recognised as an expense on a straight line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the time when the shares are subsequently issued, the amount previously recognised in the employee share-based compensation reserve will be transferred to share capital and share premium.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Key Sources of Estimation Uncertainty continued

The following are key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Note 3 describes that inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group has the operational procedures in place to monitor the risk of inventories as the majority of working capital is devoted to inventories and the nature of inventories are subject to frequent technological changes. The management reviews an inventory age listing on a periodical basis to identify slow-moving inventories. This involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether an allowance is needed to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is properly managed and adequate allowance for obsolete and slow-moving inventories has been made in the consolidated financial statements. As at 31 December 2007, the carrying amount of inventories amounted to HK$912,347,000.

Trade receivables

Note 3 describes that trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimate, management considers detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible sale personnels discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is properly managed and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the historical records of the Group and the circumstances of the semiconductor manufacturing industry as a whole. As at 31 December 2007, the carrying amount of trade receivables amounted to HK$1,199,619,000.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. Financial Instruments

Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,106,931**	1,877,095
Financial liabilities		
Amortised costs	**921,580**	773,061

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 67% and 79% of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the group entity making the sale and the purchase.

6. Financial Instruments continued

Financial risk management objectives and policies continued

Market risk continued

Currency risk continued

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Currency	Assets 2007 HK$'000	Assets 2006 HK$'000	Liabilities 2007 HK$'000	Liabilities 2006 HK$'000
US dollars	US$	**1,318,425**	1,278,983	**202,993**	124,679
Japanese Yen	JPY	**103,082**	120,746	**97,862**	104,356
Singapore dollars	SG$	**43,693**	14,827	**66,667**	69,825
Renminbi	RMB	**41,457**	37,924	**108,856**	84,806
Others		**19,670**	22,034	**38,383**	32,608

The Group has minimal currency exposure as the majority of its foreign currency sales are denominated in US dollars which are linked up with the Hong Kong dollar. On the other hand, the disbursements were mainly in US dollars, Hong Kong dollars and Renminbi, which are the functional currencies of the relevant subsidiaries. The currency risk of some limited Japanese Yen-based receivables was eliminated against some Japanese Yen accounts payables. The management conducts periodic review of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

Sensitivity analysis

The Group is mainly exposed to the US dollar, Japanese Yen, Singapore dollar and Renminbi.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of Hong Kong dollars against the relevant currency and a positive and negative number below indicates an increase and decrease in profit and loss respectively. For a 5% weakening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit.

6. Financial Instruments continued

Financial risk management objectives and policies continued

Market risk continued

Currency risk continued

Sensitivity analysis continued

	U.S. dollars impact			Japanese Yen impact			Singapore dollars impact			Renminbi impact		
	2007	2006		**2007**	2006		**2007**	2006		**2007**	2006	
	HK$'000	HK$'000		**HK$'000**	HK$'000		**HK$'000**	HK$'000		**HK$'000**	HK$'000	
(Loss) profit	**(55,771)**	(57,715)	(i)	**(261)**	(819)	(ii)	**1,148**	2,750	(iii)	**3,370**	2,344	(iv)

(i) This is mainly attributable to the exposure on outstanding bank balances, trade receivables and trade payables denominated in US dollar at the year end.

(ii) This is mainly attributable to the exposure on outstanding bank balances and trade payables denominated in Japanese Yen at the year end.

(iii) This is mainly attributable to the exposure on outstanding bank balances, other receivables, trade and other payables denominated in Singapore dollar at the year end.

(iv) This is mainly attributable to the exposure on outstanding bank balances, other receivables, trade and other payables denominated in Renminbi at the year end.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the consolidated balance sheet. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

7. Turnover

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

8. Business and Geographical Segments

(A) Business segments

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

Principal activities are as follows:

Equipment	–	manufacture and marketing of semiconductor machines and tools
Lead frame	–	manufacture and marketing of semiconductor materials

(i) Segment information about these businesses is presented below:

Consolidated income statement

	2007 HK$'000	2006 HK$'000
Turnover		
Equipment	**4,309,020**	3,581,917
Lead frame	**1,083,641**	974,036
	5,392,661	4,555,953
Result		
Equipment	**1,329,550**	1,125,633
Lead frame	**93,908**	121,011
	1,423,458	1,246,644
Interest income	**26,739**	32,329
Finance costs	**(72)**	(199)
Profit before taxation	**1,450,125**	1,278,774
Income tax expense	**(180,628)**	(129,297)
Profit for the year	**1,269,497**	1,149,477

8. Business and Geographical Segments continued

(A) Business segments continued

(i) Segment information about these businesses is presented below: continued

Consolidated balance sheet

	At 31.12.2007			At 31.12.2006		
	Equipment	**Lead frame**	**Consolidated**	Equipment	Lead frame	Consolidated
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Assets						
Segment assets	**2,475,751**	**720,735**	**3,196,486**	1,927,900	576,118	2,504,018
Unallocated corporate assets			**864,065**			982,713
Consolidated total assets			**4,060,551**			3,486,731
Liabilities						
Segment liabilities	**727,446**	**192,201**	**919,647**	622,016	143,104	765,120
Unallocated corporate liabilities			**190,785**			159,537
Consolidated total liabilities			**1,110,432**			924,657

Other information

	2007			2006		
	Equipment	**Lead frame**	**Consolidated**	Equipment	Lead frame	Consolidated
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Capital additions	**241,264**	**79,707**	**320,971**	129,875	78,794	208,669
Depreciation of property, plant and equipment	**136,264**	**61,189**	**197,453**	118,955	49,464	168,419
Amortisation of prepaid lease payments	**128**	**386**	**514**	106	374	480
(Gain) loss on disposal of property, plant and equipment	**(46)**	**221**	**175**	1,570	63	1,633

8. Business and Geographical Segments continued

(B) Geographical segments

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

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

	Turnover		Profit before taxation	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Location of operation				
The PRC	**3,111,250**	2,735,647	**877,145**	875,022
Singapore and Malaysia	**2,281,411**	1,820,306	**546,313**	371,622
	5,392,661	4,555,953	**1,423,458**	1,246,644
Interest income			**26,739**	32,329
Finance costs			**(72)**	(199)
Profit before taxation			**1,450,125**	1,278,774

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

	Turnover	
	2007 HK$'000	2006 HK$'000
Location of market		
Mainland China	**1,731,626**	1,137,465
Taiwan	**1,207,183**	936,463
Malaysia	**703,496**	700,444
Korea	**398,557**	233,769
Hong Kong	**371,511**	386,263
Thailand	**261,153**	305,451
Philippines	**225,957**	249,073
United States of America and Latin America	**160,297**	194,636
Singapore	**117,939**	129,301
Japan	**95,972**	114,553
Europe	**86,968**	117,713
Others	**32,002**	50,822
	5,392,661	4,555,953

8. Business and Geographical Segments continued

(B) Geographical segments continued

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
			Year ended	Year ended
	31.12.2007	31.12.2006	**31.12.2007**	31.12.2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**3,024,190**	2,702,832	**272,290**	167,286
Singapore and Malaysia	**1,032,221**	783,021	**48,681**	41,383
	4,056,411	3,485,853	**320,971**	208,669

9. Research and Development Expenses

Included in research and development expenses is depreciation on property, plant and equipment of HK$6,713,000 (2006: HK$4,862,000) and rental of land and buildings under operating leases of HK$5,569,000 (2006: HK$4,574,000).

10. Finance Costs

The amount represents interest on bank borrowings and notes payable to a bank wholly repayable within five years.

11. Income Tax Expense

	2007	2006
	HK$'000	HK$'000
Current tax:		
Hong Kong	**169,379**	118,198
Other jurisdictions	**15,177**	11,082
	184,556	129,280
(Over)underprovision in prior years:		
Other jurisdictions	**(484)**	1,630
Deferred tax credit *(note 26)*		
Current year	**(3,444)**	(1,613)
	180,628	129,297

Hong Kong Profits Tax has been calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. Income Tax Expense continued

The charge for the year can be reconciled to the profit before taxation in the consolidated income statement as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**1,450,125**	1,278,774
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	**253,772**	223,785
Tax effect of expenses that are not deductible in determining taxable profit	**8,945**	8,187
Tax effect of income that is not taxable in determining taxable profit	**(11,328)**	(10,771)
Tax effect of tax losses not recognised	**17,792**	19,108
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,106**	(39,253)
Effect of tax exemption under the MH status	**(85,661)**	(66,316)
Effect of tax concession/exemption granted to PRC subsidiaries	**(7,481)**	(5,158)
(Over)underprovision in prior years	**(484)**	1,630
Others	**3,967**	(1,915)
Tax charge for the year	**180,628**	129,297

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the existing tax rates from 10% and 15% to 25% progressively over 5 years for certain subsidiaries from 1 January 2008.

The Group's profit arising from the manufacture of semiconductor equipment and materials in Singapore is non-taxable under a tax incentive covering certain new products under the Manufacturing Headquarters ("MH") status granted by the Singapore tax authority. The tax exemption applies to profits arising for a period of 10 years from 1 January 2001, subject to the fulfilment of certain criteria during the period.

Certain subsidiaries of the Group were exempted from PRC Income Taxes for two years starting from their first profit-making year, which is 2003, followed by a 50% reduction for the next three years.

11. Income Tax Expense continued

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the year ended 31 December 2007 seeking information relating to Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiry might lead to additional tax being charged on profits from some overseas subsidiaries that have not previously been included in the scope of charge for Hong Kong Profits Tax. The Group purchased tax reserve certificates amounting to HK$47,000,000.

Based on legal and other professional advice that the Company has sought, the directors are of the opinion that there would still have a case to pursue. Accordingly, the directors consider that sufficient provision for taxation has been made in the financial statements and the amounts paid under the tax reserve certificates are recoverable.

12. Profit for the Year

	2007 **HK$'000**	2006 HK$'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**5,795**	4,825
Amortisation of prepaid lease payments	**514**	480
Depreciation	**197,453**	168,419
Loss on disposal of property, plant and equipment	**175**	1,633
Minimum lease payments for land and building under operating leases	**42,606**	33,256
Net foreign exchange losses	**–**	189
Shipping and handling expenses (included in selling expenses)	**23,279**	15,382
Employee benefits expense, including directors' emoluments	**1,048,388**	897,809
and after crediting:		
Interest income on bank deposits	**26,739**	32,329
Net foreign exchange gain	**9,577**	–

13. Directors' Emoluments

The emoluments paid or payable to each of the eleven (2006: seven) directors were as follows:

	Year ended 31 December 2007											
	Arthur H. del Prado HK$'000	Arnold J.M. van der Ven HK$'000	Lam See Pong, Patrick HK$'000	Lee Wai Kwong HK$'000	Lo Tsan Yin, Peter HK$'000	Chow Chuen, James HK$'000	Fung Shu Kan, Alan HK$'000	Orasa Livasiri HK$'000	Tang Koon Hung, Eric HK$'000	Lee Shiu Hung, Robert HK$'000	Lok Kam Chong, John HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	–	300	25	300	244	869
Other emoluments												
Salaries and other benefits	–	–	–	7,932	7,570	5,823	1,004	–	1,518	–	–	23,847
Contributions to retirement benefits schemes	–	–	–	194	371	262	44	–	11	–	–	882
Performance related incentive payments *(Note)*	–	–	–	2,490	2,500	2,000	–	–	–	–	–	6,990
Total emoluments	–	–	–	10,616	10,441	8,085	1,048	300	1,554	300	244	32,588

	Year ended 31 December 2006							
	Arthur H. del Prado HK$'000	Lam See Pong, Patrick HK$'000	Arnold J.M. van der Ven HK$'000	Fung Shu Kan, Alan HK$'000	Orasa Livasiri HK$'000	Tang Koon Hung, Eric HK$'000	Lee Shiu Hung, Robert HK$'000	Total HK$'000
Fees	–	–	–	–	300	300	300	900
Other emoluments								
Salaries and other benefits	–	16,486	–	2,532	–	–	–	19,018
Contributions to retirement benefits schemes	–	759	–	177	–	–	–	936
Performance related incentive payments *(Note)*	–	5,500	–	450	–	–	–	5,950
Total emoluments	–	22,745	–	3,159	300	300	300	26,804

Note: The performance related incentive payment is determined with reference to the operating results, individual performance and comparable market statistics in both years.

For the year ended 31 December 2007, 274,000 shares (2006: 205,000 shares) of the Company were issued to certain executive directors under the Employee Share Incentive Scheme ("Scheme"), and the fair value of these shares at date of grant was included in salaries and other benefits above.

14. Employees' Emoluments

The five highest paid individuals included three (2006: two) directors, details of whose emoluments are set out in note 13. The emoluments of the remaining two (2006: three) individuals were as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries and other benefits	**6,232**	14,462
Performance related incentive payments	**685**	2,671
Contributions to retirement benefits schemes	**261**	604
	7,178	17,737

For the year ended 31 December 2007, 65,000 shares (2006: 205,000 shares) of the Company were issued to the relevant highest-paid employees under the Scheme, and the fair value of these shares at the date of grant was included in salaries and other benefits above.

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**–**	1

15. Retirement Benefits Plans

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

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 12.5% of the employee's basic salary, depending on the length of services with the Group.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the Mainland China, Singapore and Malaysia are members of state-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions. 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 and Malaysia, by the Central Provident Fund Board of Singapore and Employee Provident Fund of Malaysia respectively.

15. Retirement Benefits Plans continued

The amount charged to the consolidated income statement of HK$55,990,000 (2006: HK$46,854,000) represents contributions paid and payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$693,000 (2006: HK$566,000) arising from employees leaving the Group prior to completion of qualifying service period.

For the year ended 31 December 2007, there were forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years amounting to HK$53,000 (2006: nil).

16. Dividends

	2007 HK$'000	2006 HK$'000
Dividend paid		
Interim dividend paid for 2007 of HK$0.70 (2006: HK$0.70) per share on 388,839,000 (2006:387,059,500) shares	**272,188**	270,942
First special dividend paid for 2007 of HK$0.60 (2006: HK$0.75) per share on 388,839,000 (2006: 387,059,500) shares	**233,303**	290,294
Final dividend for 2006 paid of HK$1.00 (2006: final dividend for 2005 paid of HK$1.00) per share on 388,839,000 (2006: 387,059,500) shares	**388,839**	387,059
Second special dividend for 2006 paid of HK$0.20 (2006: second special dividend for 2005 paid of HK$0.30) per share on 388,839,000 (2006: 387,059,500) shares	**77,768**	116,118
	972,098	1,064,413
Dividend proposed		
Proposed final dividend for 2007 of HK$1.10 (2006: HK$1.00) per share on 390,628,000 (2006: 388,839,000) shares	**429,691**	388,839
Proposed second special dividend for 2007 of HK$0.40 (2006: HK$0.20) per share on 390,628,000 (2006: 388,839,000) shares	**156,251**	77,768
	585,942	466,607

The final dividend of HK$1.10 (2006: HK$1.00) and second special dividend of HK$0.40 (2006: HK$0.20) per share have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

17. Earnings Per Share

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

	2007	2006
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share	**1,269,497**	1,149,477

	Number of shares (in thousand)	
Weighted average number of shares for the purposes of basic earnings per share	**388,927**	387,142
Effect of dilutive potential shares from the Employee Share Incentive Scheme	**1,384**	1,465
Weighted average number of shares for the purposes of diluted earnings per share	**390,311**	388,607

18. Property, Plant and Equipment

	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
COST					
At 1 January 2006	290,254	261,617	1,477,585	23,060	2,052,516
Exchange adjustment	8,462	251	7,059	331	16,103
Additions	1,545	25,210	180,537	1,377	208,669
Disposals	–	(286)	(24,115)	(153)	(24,554)
At 1 January 2007	300,261	286,792	1,641,066	24,615	2,252,734
Exchange adjustment	8,722	253	9,072	399	18,446
Additions	–	62,487	255,524	2,960	320,971
Disposals	–	–	(24,393)	(64)	(24,457)
At 31 December 2007	308,983	349,532	1,881,269	27,910	2,567,694
DEPRECIATION AND IMPAIRMENT					
At 1 January 2006	103,488	204,347	921,030	15,621	1,244,486
Exchange adjustment	615	187	2,153	98	3,053
Provided for the year	13,331	23,031	131,033	1,024	168,419
Eliminated on disposals	–	(223)	(21,849)	(141)	(22,213)
At 1 January 2007	117,434	227,342	1,032,367	16,602	1,393,745
Exchange adjustment	1,026	187	2,941	134	4,288
Provided for the year	13,349	27,405	155,359	1,340	197,453
Eliminated on disposals	–	–	(23,734)	(21)	(23,755)
At 31 December 2007	131,809	254,934	1,166,933	18,055	1,571,731
CARRYING VALUES					
At 31 December 2007	177,174	94,598	714,336	9,855	995,963
At 31 December 2006	182,827	59,450	608,699	8,013	858,989

Items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Buildings	4.2% to 4.5%
Leasehold improvements	33 1/3%
Plant and machinery	10% to 33 1/3%
Furniture, fixtures and equipment	10% to 20%

19. Prepaid Lease Payments

The Group's prepaid lease payments represent property interests in leasehold land outside Hong Kong under medium-term leases.

Analysed for reporting purposes as:

	2007 HK$'000	2006 HK$'000
Current	**514**	480
Non-current	**9,255**	9,128
	9,769	9,608

20. Inventories

	2007 HK$'000	2006 HK$'000
Raw materials	**245,876**	183,469
Work in progress	**491,314**	427,081
Finished goods	**175,157**	129,611
	912,347	740,161

21. Trade and Other Receivables

	2007 HK$'000	2006 HK$'000
Trade receivables	**1,199,619**	887,002
Other receivables, deposits and prepayments	**82,129**	75,411
Tax reserve certificate recoverable	**47,000**	–
Amounts due from ASM International group companies		
– trade *(Note)*	**–**	1
	1,328,748	962,414

An aging analysis of trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
Not yet due	**779,057**	571,481
Overdue within 30 days	**212,449**	154,736
Overdue within 31 to 60 days	**90,183**	74,330
Overdue within 61 to 90 days	**60,976**	36,227
Overdue over 90 days	**56,954**	50,228
	1,199,619	887,002

21. Trade and Other Receivables continued

Credit policy: Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 days 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 pre-set maximum credit limit.

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

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Based on the historical experiences of the Group, trade receivables are past due but not impaired are generally recoverable.

The fair value of the Group's trade receivables, other receivables and amounts due from ASM International group companies at 31 December 2007 approximates to the respective carrying amount due to the relatively short-term maturity.

22. Trade and Other Payables

	2007	2006
	HK$'000	HK$'000
Trade payables	**564,210**	475,366
Other payables and accrued charges	**356,661**	289,612
Amounts due to ASM International group companies – trade *(Note)*	**709**	839
	921,580	765,817

An aging analysis of trade payables is as follows:

	2007	2006
Not yet due	**381,608**	290,238
Overdue within 30 days	**147,105**	119,702
Overdue within 31 to 60 days	**32,360**	53,421
Overdue within 61 to 90 days	**2,667**	4,815
Overdue over 90 days	**470**	7,190
	564,210	475,366

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

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The fair value of the Group's trade and other payables and amounts due to ASM International group companies at 31 December 2007 approximates to the respective carrying amount due to relatively short-term maturity.

23. Notes Payable to a Bank

The amount as at 31 December 2006 represented discounted bills with recourse in which the Group retained the credit risk of the bills receivable and the carrying amount approximates to the corresponding fair value.

24. Share Capital of the Company

	Number of shares		Share capital	
	2007	2006	**2007**	2006
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
At 1 January	**388,839**	387,060	**38,884**	38,706
Shares issued under the Scheme	**1,789**	1,779	**179**	178
At 31 December	**390,628**	388,839	**39,063**	38,884

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

During the year, 1,789,000 shares were issued at par to eligible employees and members of management under the Scheme.

On 27 February 2008, the Group resolved to contribute HK$173,360 to the Scheme enabling the trustees of the Scheme to subscribe for a total of 1,733,600 shares at par in the Company upon the expiry of a defined qualification period.

25. Employee Share Incentive Scheme

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

On 8 March 2007, the directors resolved to contribute HK$179,750 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,797,500 shares in the Company for the benefit of employees and members of the management of the Group upon expiration of the defined qualification period as determined by the Board of Directors. The vesting period for the year is from 8 March 2007 to 15 December 2007. 1,789,000 of these shares entitlements were issued on 14 December 2007 and the estimated fair value of these shares at the date of grant amounted to approximately HK$82,294,000. 8,500 shares were unallotted by the Company on the same date. The fair value was determined with reference to market value of shares at the date of grant, and adjusted for the terms and conditions upon which the shares are granted.

On 27 February 2008, the Directors resolved to contribute HK$173,360 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,733,600 shares in the Company for the benefit of employees and members of the management of the Group upon the expiry of a defined qualification period.

26. Deferred Taxation

A summary of the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods is as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2006	12,846	(6,692)	(3,315)	2,839
(Credit) charge to income for the year *(note 11)*	(5,929)	6,350	(2,034)	(1,613)
Exchange differences	2	(39)	–	(37)
At 31 December 2006 and 1 January 2007	6,919	(381)	(5,349)	1,189
Credit to income for the year *(note 11)*	(1,850)	(1,356)	(238)	(3,444)
Exchange differences	4	(351)	(10)	(357)
At 31 December 2007	5,073	(2,088)	(5,597)	(2,612)

The following is the analysis of the deferred tax balances for balance sheet presentation purposes:

	2007 HK$'000	2006 HK$'000
Deferred tax liabilities	**1,528**	2,067
Deferred tax assets	**(4,140)**	(878)
	(2,612)	1,189

At 31 December 2007, the Group had unused tax losses of HK$249,159,000 (2006: HK$171,271,000) available to offset future taxable profits. At 31 December 2007, a deferred tax asset amounting to HK$2,088,000 (2006: HK$381,000) was recognised for such losses and no deferred tax asset was recognised in respect of the remaining tax losses of HK$243,197,000 (2006: HK$170,182,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$52,465,000 that will expire during the year 2009 to 2014 (2006: HK$45,942,000 that will expire during the year 2009 to 2012). Other losses may be carried forward indefinitely.

27. Contingent Liabilities

	2007 HK$'000	2006 HK$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	**325**	381

28. Capital Commitments

	2007 HK$'000	2006 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**62,536**	79,901
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**243,693**	145,796
	306,229	225,697

29. Operating Lease Commitments

At 31 December 2007, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of property interests in land and buildings which fall due as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**43,289**	34,158
In the second to fifth years inclusive	**58,079**	57,917
Over five years	**16,698**	18,791
	118,066	110,866

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties and quarters. Except for land leased from the Singapore Housing & Development Board for a period of 30 years (renewable upon expiry for a further term of 30 years), other leases are negotiated for an average term of two to five years.

30. Share Option Schemes

ASM International has adopted various share option schemes for the primary purpose of providing incentives to the Directors and eligible employees of ASM International and its subsidiaries. Under these schemes, key employees of ASM International and its subsidiaries may purchase a specific number of shares of ASM International. Options are priced at market value in Euros or US dollars on the date of grant, are generally vesting in equal parts over a period of five years and generally will expire after five or ten years from the date of grant.

A summary of the movements of share options of ASM International granted to the Directors of the Company and eligible employees of the Company and its subsidiaries in respect of services provided to ASM International is as follows:

	Held by directors	Held by eligible employees
At 1 January 2006	357,000	286,600
Upon appointment of a director	30,000	–
Granted during the year	136,536	–
Exercised during the year	(357,000)	(286,600)
At 31 December 2006	166,536	–
Granted during the year	82,358	–
At 31 December 2007	248,894	–

The exercise prices of the above outstanding options are ranged from Euro11.18 to Euro19.47 (2006: Ranged from Euro11.18 to Euro14.13).

31. Connected and Related Party Transactions

(a) During the year, the Group paid a management fee of HK$750,000 (2006: HK$750,000) to ASM International under a consultancy agreement between ASM International and the Company. Pursuant to the original consultancy agreement, an annual management fee of HK$1.5 million is payable to ASM International which 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 annual management fee was revised to HK$750,000 effective from 1 January 2006. The consultancy 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.

(b) On 10 August 2005, the Company entered into a service agreement (the "Service Agreement") with ASM Front-End Manufacturing Singapore Pte Ltd. ("FEMS"), a wholly owned subsidiary of ASM International. Pursuant to the Service Agreement, the Group provides computer software installation consultancy services to FEMS in its implementation of a particular enterprise resources planning software in its production facility in Singapore, at a quarterly fee of US$90,000. The Service Agreement was for a term of one year from 16 August 2005 to 15 August 2006. Details of the Service Agreement are set out in the announcement dated 15 August 2005 made by the Company. Management service fees received during the year ended 31 December 2006 amounted to approximately HK$1,746,000 (nil for year ended 31 December 2007).

31. Connected and Related Party Transactions continued

(c) On 16 March 2004, the Company entered into a management and production agreement (the "M & P Agreement") with ASM International. The M & P Agreement commenced from the date of Agreement for a term of one year and is terminable by three months' notice in writing by either party. Details of the M & P Agreement are set out in the announcement dated 18 March 2004 made by the Company. The M & P Agreement was terminated effective from 1 January 2006 while the production orders confirmed before 1 January 2006 were completed within 2006.

Pursuant to the M & P Agreement, the Group agreed to manufacture metal parts for ASM International on a cost-plus basis. The income from the manufacture of metal parts for ASM International for the year ended 31 December 2006 amounted to HK$1,378,000 (nil for year ended 31 December 2007). The income received for the year ended 31 December 2006 was for delivery of orders confirmed before 1 January 2006.

(d) Compensation of key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2007 **HK$'000**	2006 HK$'000
Short-term benefits	**24,172**	31,543
Share-based payments	**15,594**	17,578
	39,766	49,121

Certain shares of the Company were issued to the key management under the Scheme. The estimated fair value of such shares were included in share-based payments for both years.

The emoluments of directors and key executives are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

32. Particulars of Principal Subsidiaries of the Company

Details of the principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital		Proportion of nominal value of issued ordinary share/registered capital held by the Company		Principal activities
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
ASM Asia Limited	Hong Kong	HK$27,000	HK$1,000	100%	–	Providing purchasing services to group companies
ASM Assembly Automation Limited	Hong Kong	HK$100,000	HK$1,000	100%	–	Manufacture and sale of semiconductor equipment
ASM Assembly Equipment Bangkok Limited	Thailand	–	Baht7,000,000	–	100%	Agency and marketing service
ASM Assembly Equipment (M) Sdn. Bhd.	Malaysia	–	MYR10,000	–	100%	Agency and marketing service
ASM Semi-conductor Materials (Shenzhen) Co., Ltd.*	PRC	–	US$21,921,982	–	100%	Manufacture of semiconductor materials
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%	–	Trading of semiconductor materials
ASM Assembly Products B.V.	Netherlands	–	Euro18,151	100%	–	Trading in semiconductor equipment
ASM Assembly Technology Co., Limited	Japan	–	JPY10,000,000	100%	–	Trading in semiconductor equipment
ASM Pacific (Bermuda) Limited	Bermuda	–	US$120,000	–	100%	Insurance services to group companies
ASM Pacific Investments Limited	Hong Kong	–	HK$2	100%	–	Investment holding and agency services
ASM Pacific KOR Limited	Hong Kong	–	HK$500,000	100%	–	Marketing services in Korea
ASM Technology Singapore Pte Limited	Singapore	–	S$53,000,000	100%	–	Manufacture and sale of semiconductor equipment and materials

32. Particulars of Principal Subsidiaries of the Company continued

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital		Proportion of nominal value of issued ordinary share/registered capital held by the Company		Principal activities
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
ASM Pacific Assembly Products, Inc.	United States of America	–	US$60,000	–	100%	Trading in semiconductor equipment
ASM Technology (M) Sdn. Bhd.	Malaysia	–	MYR74,000,000	100%	–	Manufacture of semiconductor equipment and materials
Edgeward Development Limited	Guernsey, Channel Islands	–	US$10,000	–	100%	Investment holding and provision of manufacturing and marketing infrastructure in Mainland China and Asia
Shenzhen ASM Micro Electronic Technology Co., Limited	PRC	–	*(Note)*	–	*(Note)*	Manufacture of semiconductor equipment

Note: Under a joint venture agreement, the Group has committed to contribute 100% of the registered capital of HK$497,300,000 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 October 1994. On 23 February 2004, the term was approved to be extended for a further period of five years to October 2009. At 31 December 2007, the Group has paid up approximately HK$489,164,300 as registered capital of MET. The Group has to bear the entire risk and liabilities of MET and, other than a fixed annual amount attributable to assets provided 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 provided by the PRC joint venture partner and those irremovable building improvements. On 1 April 2004, the Group applied for the de-registration of Shenzhen ASM Precision Machinery Manufactory Limited ("PMM") and approval to merge the operations of PMM with MET. PMM was a subsidiary of the Company as at 31 December 2004. On 27 July 2005, the de-registration of PMM was approved and the operations of PMM were merged with MET from that date.

* Established as a wholly foreign owned enterprise in the PRC.

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 debt security 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 net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Five Year Financial Summary

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**5,392,661**	4,555,953	3,536,855	3,828,930	2,604,823
Profit before taxation	**1,450,125**	1,278,774	903,924	1,062,382	587,128
Income tax expense	**(180,628)**	(129,297)	(53,439)	(59,787)	(51,255)
Profit for the year	**1,269,497**	1,149,477	850,485	1,002,595	535,873

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**1,040,759**	868,995	817,099	783,375	698,560
Current assets	**3,019,792**	2,617,736	2,230,975	1,960,858	1,783,315
Current liabilities	**(1,108,904)**	(922,590)	(651,583)	(564,383)	(557,146)
Net current assets	**1,910,888**	1,695,146	1,579,392	1,396,475	1,226,169
Non-current liabilities	**(1,528)**	(2,067)	(2,957)	(2,385)	(9,227)
Equity attributable to equity holders of the Company	**2,950,119**	2,562,074	2,393,534	2,177,465	1,915,502

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Shenzhen ASM Micro Electronic Technology Company Limited
ASM Semi-conductor Materials(Shenzhen) Company Limited

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