ASM

SCALING NEW HEIGHTS

放眼未來 創新里程

2010

Interim Report

中期報告

ASM PACIFIC TECHNOLOGY LIMITED

(Stock Code 股份代號 : 0522)

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Arthur H. del Prado, *Chairman*
Lo Tsan Yin, Peter, *Vice Chairman*
Lee Wai Kwong
Chow Chuen, James

Non-executive Directors:

Robert Arnold Ruijter
Charles Dean del Prado

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 (Hong Kong) Limited
Citibank, N.A.
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
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

COMPANY WEBSITE AND CONTACT

Website : http://www.asmpacific.com
Telephone : (852) 2424 2021
Fax : (852) 2481 3367

CHAIRMAN'S STATEMENT

RESULTS

We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") reported a turnover of HK$4,167 million for the six months ended 30 June 2010, representing an increase of 195.7% as compared with HK$1,409 million for the same period last year and a 25.4% increase when compared with the turnover of HK$3,323 million for the preceding six-month period. The Group's consolidated profit after taxation for the six months is HK$1,148 million, which is 1,433.1% higher than the corresponding period in 2009 and 33.4% higher than the preceding six-month period. Basic earnings per share (EPS) for the half-year period amounted to HK$2.91 (first half of 2009: HK$0.19, second half of 2009: HK$2.19).

DIVIDEND

In view of the Company's continuing strong liquidity and rising equity base, the Board of Directors has resolved to pay an interim dividend of HK$1.60 (2009: interim dividend of HK$0.20 and a special dividend of HK$0.40) per share. Despite giving out high dividends and continual expansion of our production capacity in the past few years, the Company continues to generate strong positive cash flow. This allows ASM to continue to adopt the 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. This year's dividend payout takes into consideration the need to expand our production capacity to capture the current market opportunities and to satisfy customers' demand for our products, and to cater for the financial commitments to support our proposed acquisition.

The Register of Members will be closed from 17 August 2010 to 20 August 2010, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on 16 August 2010. The interim dividend will be paid on or about 27 August 2010.

REVIEW

The strong market momentum has once again propelled us to new quarterly as well as half-yearly records. Indeed we have been setting new quarterly records in all areas – bookings, billings and net profit – for three consecutive quarters. Our results for the second quarter this year are not only at new records but are at unprecedented levels well above the pre-crisis peaks.

New order bookings in the second quarter of 2010 amounted to US$524 million, a sequential increase of 36.4% over the first quarter of 2010. This level of order inflows is 151.4% above the previous quarterly record which we attained in the last quarter of 2007. During the first six months of 2010, new order bookings amounted to US$908 million, surpassing all full year records which we had attained in the past.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Group turnover was at US$307 million in the second quarter of 2010, representing an increase of 33.9% over the preceding quarter and an increase of 145.1% over same period last year. It surpassed the pre-crisis peak by 48.3%. During the first six months of 2010, Group turnover were US$537 million, increasing 195.7% and 25.4% as compared to the first and second six-month periods in 2009 respectively.

Net profit for the second quarter of 2010 was HK$682 million, an increase of 46.2% over the preceding quarter and a surge of 327.0% over same period last year. During the first six months of 2010, net profit were HK$1,148 million, increasing 1,433.1% and 33.4% as compared to the first and second six-month periods in 2009 respectively. It is only 9.5% below the record full year net profit which we had attained in 2007.

Indeed, all our major product segments show noticeable improvements. In particular, it appears that our equipment billings are at a new quarterly record level not just for the Group, but for any semiconductor assembly and packaging equipment company during the past 10 years, if not for the entire history of the semiconductor assembly and packaging equipment industry. This is certainly a notable milestone and achievement for us.

The excellent results owed much to the strong market demand and the backlog accumulated at the end of the first quarter. The record performance that we have achieved during the past six months reflected further gains in market share and demonstrated our capability to react quickly to new and emerging market opportunities. Return on capital employed and on sales was 33.3% and 31.8% respectively for the six-month period.

During the past six months, our book to bill ratio, representing net bookings over billings, was 1.69. Due to a dramatic increase in bookings in the second quarter, our ending order backlog as of 30 June 2010 was in excess of US$580 million (US$211 million as of 31 December 2009 and US$365 million as of 31 March 2010). Our book to bill ratio for the second quarter was 1.71, mainly as a result of our strong order inflows during the second quarter.

Despite some warnings from analysts of a potential slowdown, there is no clear sign as yet of a weakening market. On the contrary, the semiconductor assembly and packaging equipment market continues to be driven strongly by robust demand in China, and demand for light-emitting diode (LED) devices, automotive products, hand-held gadgets including tablet PCs, and IT investments by private sector companies. In terms of product distribution, the LED market is increasingly becoming a substantial revenue-generator for our business. We are confident that its already sizeable contribution will remain on an upward trend for the near future and will contribute even more to our top and bottom lines in time to come.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

ASM's diversification of its product and application markets, which is reinforced by its efficient cost structure and ongoing successful introduction of technologically-advanced new products, underpins its success. During the first half of 2010, sales attributable to our five largest customers combined were 18.7% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy.

Territorially, Mainland China, Taiwan, Malaysia and South Korea continue to be our major markets. They are part of the diverse geographical spread of our business which mirrors the investment trends in the industry. Mainland China remains our largest market, maintaining its share at 34.9%. It is followed by Taiwan (16.6%), Malaysia (14.8%) and South Korea (14.0%). Our diversified product portfolio also continues to be one of our strengths. The Group's excellent financial performance in recent years provides clear evidence of the growing acceptance of our products by a larger pool of customers. 80% of the Group's turnover in the six-month period came from 82 customers.

During the first six months of 2010, equipment revenues were US$441 million, equivalent to 82.1% of the Group's turnover, increasing 242.8% and 29.4% as compared to the first and second six-month periods in 2009 respectively. Equipment revenue was at US$256 million in the second quarter of 2010, representing an increase of 39.1% over the preceding quarter and an increase of 183.8% over same period last year. Our quarterly equipment revenue surpassed the pre-crisis peak by 55.2%.

With improved market demand and gain in market share, our lead frame business achieved revenues of US$96 million, representing 17.9% of the Group's turnover during the first half of 2010, which are increases of 81.6% and 9.7% over the first and second half of 2009 respectively. Our lead frame business achieved a turnover of US$51 million in the second quarter of 2010, representing an increase of 12.8% over the preceding quarter and an increase of 45.6% as compared to the same period last year. Our quarterly lead frame revenue surpassed the pre-crisis peak by 21.1%.

Our gross margins have further improved in the second quarter resulting from increasing sales level, even when costs have generally gone up in view of the increased production activities and the much higher level of out-sourcing to meet demand.

Our vertical integration model of manufacturing has proven very successful for us. However, in light of the surge in sales turnover and the high level of output that is required to support such sales, we have progressively outsourced some of our manufacturing activities in the past few months. We are now seeing our appointed subcontractors contributing positively and meaningfully to our output, and this has led to a clear improvement in output levels of our equipment business.

With more pipeline materials to address customer orders, our ending inventory as of 30 June 2010 increased to HK$1,168 million (HK$1,004 million as of 31 December 2009), a moderate increase of 16.4%. Due to our aggressive management of working capital, annualized inventory turn was 7.67 times (First half of 2009: 3.19 times).

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Days sales-outstanding decreased to 80.7 days from 104.7 days in 2009. This is a reflection of the surge in billings in the second quarter. Our sound working capital management has resulted in a free cash flow of HK$612.7 million and a return on invested capital of 49.3% during the past six months.

Capital expenditure ("capex") in the first six months amounted to HK$259 million which was partially funded by the depreciation of HK$109 million for the same period. Our capex is expected to increase sharply in the second half as many production machines which we have ordered will be installed in our three manufacturing plants in China to further boost our production capacity for both equipment and lead frames. Our capex budget for this year has been revised upwards by 60% to HK$800 million.

After paying last year's final and second special dividends totaling HK$631 million in April and funding capital investments in the first half of 2010, cash on hand as of 30 June 2010 was HK$1,421 million, which was HK$167 million higher than six months ago. Our current ratio stands at 2.48, with zero long-term debt or bank borrowing, and a debt-equity ratio of only 48.0%. With our on-going positive cash flow from organic growth operations, these figures permit ASM's management to recommend returning the excessive cash holdings to our shareholders in the form of dividends after taking into considerations the higher capex budget this year to expand our production capacity and the financial commitment to support our proposed acquisition.

PROSPECTS

The good times for the semiconductor industry are at hand. There is little doubt that the Asian economy is in the midst of robust economic growth. Industry forecasts for the annual growth of the semiconductor market are generally upbeat, with some market researchers predicting semiconductor revenue to grow by up to 27% in 2010 as compared to 2009, and for the semiconductor equipment market to improve by up to an incredible 104% over last year.

Whilst there might be some concern in the semiconductor assembly equipment industry that the nature of capital expenditure for the first half of the year is front-loaded, we note that many semiconductor companies, especially subcontractors, are still revising their capital expenditure upwards. The recent demand growth spurt has probably encouraged companies to plan increased capital spending for semiconductor equipment for the immediate future. For instance, amid soaring demand from televisions, portable computers and other monitors, the LEDs used for backlighting in such displays are suffering a tight supply situation that will likely last for some time. The fact that many semiconductor companies have started construction of new wafer fabs is another indication of the solid fundamentals underlying the strength of the semiconductor assembly and packaging equipment industry.

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECTS (Continued)

The seemingly record capital investments by many companies will substantially increase their capital spending this year as compared to last year. A possible downside is that the sudden increase in capacity may produce a glut that is not finally matched by end-consumer demand. However, upon further analysis of our spectacular results, the bookings we have achieved for the past eight quarters are on average only slightly above the peak quarterly bookings before the financial crisis. That is a positive sign that the market is not yet overheated. Even if a dip occurs, we can be confident that the market will not collapse. With the greater prevalence of high-tech consumer electronic products and their growing popularity, the market will likely settle at a reasonable level which is still higher than the average levels which were the norm before the recession.

Our backlog, which currently exceeds US$580 million, is at a very high level. It is noted that over the past 12 months, our bookings had already exceeded US$1.4 billion. This very high level of backlog will provide sufficient support for our billings for at least the next two quarters, irrespective of the state of the market as we approach the end of the year.

In order to meet the robust demand, we continue to try to increase our internal production capacity in addition to outsourcing some of our manufacturing activities. We are increasing the production capacity of our factory in Fuyong, China by 30% for our Back-end Products ("BEP") and stamped lead frames. New machines will start to be installed in our new factory in Huizhou, China during the later part of the third quarter, and the new factory is expected to start contributing to our manufacturing capacity by the fourth quarter.

The growing complexity of semiconductor devices require advanced solutions for improving performance, productivity and cost-efficiency. ASM's multiple-application and multiple-product strategies continue to serve us well, allowing the Group to grow from strength to strength by presenting total solutions to its customers and pushing the technology envelope. We have again proven our versatility to emerge stronger from the downturn.

Our existing core businesses focusing on both equipment and lead frame for the assembly and packaging of semiconductor devices and LEDs are performing very well. It is almost certain that our group revenue for the twelve-month period up to the end of the third quarter this year will exceed the US$1 billion mark for the first time in our history over any 12-month period. The tremendous level of bookings that we have received in the past twelve months is a testimonial to the good acceptance of our products by a wide spectrum of customers. There are still many new products in our pipeline to be launched to the market to satisfy the diverse needs of customers. They will serve as drivers for our continuous revenue expansion and to lift the Company to new record performances.

CHAIRMAN'S STATEMENT (CONTINUED)

PROPOSED ACQUISITION

After pursuing our very successful strategy of internal organic growth for the past thirty years, we believe that it is time for us to adopt a new strategy of pursuing multiple growth engines. One of the challenges of changing a core strategic vision is to change it while one's business is still performing strongly.

The Group's proposed acquisition of the entire interest of the Electronics Assembly Systems business from Siemens AG represents an exciting and excellent opportunity for the Company. It offers ASM a significant growth opportunity and a chance to replicate our success in the assembly and packaging equipment business to the surface mount technology ("SMT") equipment business.

The SMT placement equipment business that has been built up by Siemens AG has excellent market-leading technologies, good market reputation and a commendable market position. Currently, it enjoys strong market shares for products in the high-end market segments, particularly in Europe and the USA, which it is well-placed to maintain its leadership position. In terms of synergy, it shares many of the key enabling technologies and manufacturing processes of the assembly and packaging equipment offered by ASM. By contributing ASM's experience and expertise in cost-efficient manufacturing and marketing networks in Asia, we aim to lower the costs of SMT equipment hitherto offered to the market. Hence, we are confident of expanding the market share of the acquired business in Asia, particularly in China. We also aim to repeat our successful total solution strategy by horizontally expanding the product portfolio of this new SMT equipment business to cater to the needs of diverse customers.

We strongly believe that the proposed acquisition represents an excellent combination of advanced technologies with vast experience in cost-efficient manufacturing and marketing networks in Asia. The synergistic effects of combining the strengths of the two organizations will serve to push this new SMT business unit and the whole ASM Group to new heights.

Details of the proposed acquisition are set out in the announcement on "Major Transaction – Acquisition of the SEAS Business" of the Company dated 28 July 2010.

Arthur H. del Prado
Chairman
28 July 2010

INDEPENDENT REVIEW REPORT

To the Board of Directors of ASM Pacific Technology Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 24 which comprises the condensed consolidated statement of financial position of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 July 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	HK$'000	HK$'000
Turnover	*3*	4,167,155	1,409,140
Cost of sales		(2,251,841)	(953,567)
Gross profit		1,915,314	455,573
Other income		14,390	3,714
Selling and distribution expenses		(283,969)	(152,522)
General and administrative expenses		(128,791)	(71,918)
Research and development expenses		(203,586)	(134,239)
Other gains and losses		15,663	(7,580)
Finance costs		(1)	–
Profit before taxation		1,329,020	93,028
Income tax expense	*5*	(180,655)	(18,124)
Profit for the period		1,148,365	74,904
Exchange differences on translation of foreign operations, representing other comprehensive income (expense) for the period		15,923	(2,125)
Total comprehensive income for the period		1,164,288	72,779
Earnings per share	*7*		
– Basic		HK$2.91	HK$0.19
– Diluted		HK$2.91	HK$0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	At 30 June 2010 (Unaudited) HK$'000	At 31 December 2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*8*	1,032,509	890,456
Prepaid lease payments		28,318	7,901
Deposits paid for acquisition of property, plant and equipment		83,874	19,339
Deferred tax assets		20,107	21,057
		1,164,808	938,753
Current assets			
Inventories		1,168,314	1,003,945
Trade and other receivables	*9*	2,153,133	1,572,752
Prepaid lease payments		938	494
Bank balances and cash		1,420,892	1,253,872
		4,743,277	3,831,063
Current liabilities			
Trade and other payables	*10*	1,606,353	1,167,831
Taxation		308,622	191,354
		1,914,975	1,359,185
Net current assets		2,828,302	2,471,878
		3,993,110	3,410,631
Capital and reserves			
Share capital	*11*	39,439	39,439
Dividend reserve		631,027	631,027
Other reserves		3,322,087	2,739,610
Equity attributable to owners of the Company		3,992,553	3,410,076
Non-current liabilities			
Deferred tax liabilities		557	555
		3,993,110	3,410,631

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners 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 2009 (audited)	39,236	380,782	–	155	72,979	(74,223)	2,248,993	196,178	2,864,100
Profit for the year	–	–	–	–	–	–	935,438	–	935,438
Exchange differences on translation of foreign operations	–	–	–	–	–	2,338	–	–	2,338
Total comprehensive income for the year	–	–	–	–	–	2,338	935,438	–	937,776
Sub-total	39,236	380,782	–	155	72,979	(71,885)	3,184,431	196,178	3,801,876
Recognition of equity-settled share-based payments	–	–	39,792	–	–	–	–	–	39,792
Shares issued under the Employee Share Incentive Scheme	203	39,589	(39,792)	–	–	–	–	–	–
2008 final dividend paid *(note 6)*	–	–	–	–	–	–	–	(196,178)	(196,178)
2009 interim dividend paid *(note 6)*	–	–	–	–	–	–	(78,471)	–	(78,471)
2009 first special dividend paid *(note 6)*	–	–	–	–	–	–	(156,943)	–	(156,943)
2009 final dividend proposed *(note 6)*	–	–	–	–	–	–	(473,270)	473,270	–
2009 second special dividend proposed *(note 6)*	–	–	–	–	–	–	(157,757)	157,757	–
At 31 December 2009 and 1 January 2010 (audited)	39,439	420,371	–	155	72,979	(71,885)	2,317,990	631,027	3,410,076
Profit for the period	–	–	–	–	–	–	1,148,365	–	1,148,365
Exchange differences on translation of foreign operations	–	–	–	–	–	15,923	–	–	15,923
Total comprehensive income for the period	–	–	–	–	–	15,923	1,148,365	–	1,164,288
Sub-total	39,439	420,371	–	155	72,979	(55,962)	3,466,355	631,027	4,574,364
Recognition of equity-settled share-based payments	–	–	49,216	–	–	–	–	–	49,216
2009 final and second special dividend paid *(note 6)*	–	–	–	–	–	–	–	(631,027)	(631,027)
2010 interim dividend declared *(note 6)*	–	–	–	–	–	–	(631,027)	631,027	–
At 30 June 2010 (unaudited)	39,439	420,371	49,216	155	72,979	(55,962)	2,835,328	631,027	3,992,553
1 January 2009 (audited)	39,236	380,782	–	155	72,979	(74,223)	2,248,993	196,178	2,864,100
Profit for the period	–	–	–	–	–	–	74,904	–	74,904
Exchange differences on translation of foreign operations	–	–	–	–	–	(2,125)	–	–	(2,125)
Total comprehensive (expense) income for the period	–	–	–	–	–	(2,125)	74,904	–	72,779
Sub-total	39,236	380,782	–	155	72,979	(76,348)	2,323,897	196,178	2,936,879
Recognition of equity-settled share-based payments	–	–	16,892	–	–	–	–	–	16,892
2008 final dividend paid *(note 6)*	–	–	–	–	–	–	–	(196,178)	(196,178)
2009 interim dividend declared *(note 6)*	–	–	–	–	–	–	(78,471)	78,471	–
2009 first special dividend declared *(note 6)*	–	–	–	–	–	–	(156,943)	156,943	–
At 30 June 2009 (unaudited)	39,236	380,782	16,892	155	72,979	(76,348)	2,088,483	235,414	2,757,593

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from operating activities	1,116,997	115,498
Net cash used in investing activities		
Purchase of property, plant and equipment	(218,842)	(9,623)
Addition of prepaid lease payment	(20,672)	–
Deposits paid for acquisition of property, plant and equipment	(83,874)	(3,989)
Other investing cash flows	2,602	2,326
	(320,786)	(11,286)
Cash used in financing activities		
Dividends paid	(631,027)	(196,178)
Net increase (decrease) in cash and cash equivalents	165,184	(91,966)
Cash and cash equivalents at beginning of the period	1,253,872	845,521
Effect of foreign exchange rate changes	1,836	(740)
Cash and cash equivalents at end of the period	1,420,892	752,815

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied for the first time some revised standards and amendments and interpretations ("HK(IFRIC)-INT") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2010. The adoption of the new HKFRSs has no material effect on the condensed consolidated financial statements for the current or prior accounting periods.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS"s), amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 February 2010.
[3] Effective for annual periods beginning on or after 1 July 2010.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2010

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. This standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has two reportable segments: sales of equipment and lead frame. They represent two major types of products manufactured by the Group. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income and unallocated general and administrative expenses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2010

3. SEGMENT INFORMATION (Continued)

An analysis of the Group's turnover and results by reportable segment is as follows:

Segment revenue and results

	Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Segment revenue from external customers		
Equipment	3,420,037	997,625
Lead frame	747,118	411,515
	4,167,155	1,409,140
Segment profit		
Equipment	1,284,077	72,013
Lead frame	64,104	40,280
	1,348,181	112,293
Interest income	2,197	2,259
Finance costs	(1)	–
Unallocated other income	26	734
Unallocated general and administrative expenses	(21,383)	(22,258)
Profit before taxation	1,329,020	93,028

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2010

3. SEGMENT INFORMATION (Continued)

Geographical information by location of market

	Turnover Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Mainland China	1,456,396	534,644
Taiwan	691,396	230,095
Malaysia	616,757	159,089
Korea	584,327	205,187
Thailand	187,132	54,728
Philippines	182,586	56,603
Hong Kong	133,961	57,843
Japan	124,159	20,736
United States of America	91,523	48,546
Singapore	63,861	17,775
Europe	20,075	17,775
Indonesia	9,041	4,783
Others	5,941	1,336
	4,167,155	1,409,140

4. DEPRECIATION

During the period, depreciation of HK$109.1 million (HK$115.4 million for the six months ended 30 June 2009) was charged to profit or loss in respect of the Group's property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2010

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**138,295**	19,637
Other jurisdictions	**41,405**	1,116
	179,700	20,753
Deferred taxation:		
Current period	**955**	(2,629)
	180,655	18,124

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

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 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.

The deferred taxation charge (credit) is mainly related to the tax effect of temporary differences attributable to the difference between depreciation allowances for tax purposes and depreciation charged in the condensed consolidated financial statements.

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the period ended 30 June 2010 seeking information relating to Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries 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. As at 30 June 2010, the Group purchased tax reserve certificates amounting to HK$137.9 million as disclosed in note 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2010

5. INCOME TAX EXPENSE (Continued)

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that the Company and its subsidiaries have a case to pursue. The directors also consider that sufficient provision for taxation has been made in the condensed consolidated financial statements and the amounts paid under the tax reserve certificates are fully recoverable.

6. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividend recognised as distribution during the period		
Final dividend for 2009 paid of HK$1.20 (2009: final dividend for 2008 paid of HK$0.50) per share on 394,392,100 (2009: 392,356,700) shares	**473,270**	196,178
Second special dividend for 2009 paid of HK$0.40 per share on 394,392,100 shares (2009: nil)	**157,757**	–
	631,027	196,178
Dividend declared after the end of the interim reporting period		
Interim dividend for 2010 of HK$1.60 (2009: HK$0.20) per share on 394,392,100 (2009: 392,356,700) shares	**631,027**	78,471
First special dividend for 2009 of HK$0.40 per share on 392,356,700 shares (2010: nil)	**–**	156,943
	631,027	235,414

The dividend declared after 30 June 2010 will be paid to the shareholders of the Company whose names appear on the Register of Members on 20 August 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2010

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period)	1,148,365	74,904

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	394,392	392,357
Effect of dilutive potential shares from the Employee Share Incentive Scheme	510	933
Weighted average number of ordinary shares for the purposes of diluted earnings per share	394,902	393,290

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$218.8 million (HK$9.6 million for the six months ended 30 June 2009) on the acquisition of property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2010

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Trade receivables	1,856,855	1,357,057
Amount due from ASM International N.V. – trade *(Note)*	28	32
VAT receivables	93,705	67,067
Other receivables, deposits and prepayments	64,616	47,596
Tax reserve certificate recoverable	137,929	101,000
	2,153,133	1,572,752

An aging analysis of trade receivables at the reporting date is as follows:

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Not yet due	1,331,484	978,543
Overdue within 30 days	309,362	202,379
Overdue within 31 to 60 days	127,487	107,160
Overdue within 61 to 90 days	47,940	31,052
Overdue over 90 days	40,582	37,923
	1,856,855	1,357,057

Note: Amount due from ASM International N.V. is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms. ASM International N.V. is the Company's ultimate holding company. It is incorporated in the Netherlands.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2010

10. TRADE AND OTHER PAYABLES

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Trade payables	878,230	737,116
Amounts due to subsidiaries of ASM International N.V. – trade *(Note)*	583	277
Deposits received from customers	339,810	136,835
Other payables and accrued charges	387,730	293,603
	1,606,353	1,167,831

An aging analysis of trade payables at the reporting date is as follows:

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Not yet due	218,479	497,834
Overdue within 30 days	270,355	189,557
Overdue within 31 to 60 days	254,282	39,075
Overdue within 61 to 90 days	122,978	4,284
Overdue over 90 days	12,136	6,366
	878,230	737,116

Note: Amounts due to subsidiaries of ASM International N.V. are not yet due, 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 time frame.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2010

11. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1 January 2009	392,357	39,236
Shares issued under the Employee Share Incentive Scheme	2,035	203
At 31 December 2009 and at 30 June 2010	394,392	39,439

All shares issued during the period/year rank pari passu with the then existing shares in issue in all respects.

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

12. RELATED PARTY TRANSACTIONS

(a) During the period, the Group paid a management fee of HK$375,000 (HK$375,000 for the six months ended 30 June 2009) to ASM International N.V. under a consultancy agreement between ASM International N.V. and the Company, which constituted a connected transaction as defined under the Listing Rules. Pursuant to the original consultancy agreement, an annual management fee of HK$1.5 million is payable to ASM International N.V. 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) Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK$24,681,000 (HK$15,536,000 for the six months ended 30 June 2009).

Certain shares of the Company were issued to the key management under the Employee Share Incentive Scheme (the "Scheme") which has a term of 10 years starting from March 1990, the Scheme was extended for a further term of 10 years up to 23 March 2010 pursuant to an extraordinary general meeting of the Company on 25 June 1999. The Scheme was further extended for another term of 10 years up to 23 March 2020 pursuant to an annual general meeting of the Company on 24 April 2009. The estimated fair value of such shares included in emoluments above amounted to HK$10,338,000 (HK$3,112,000 for the six months ended 30 June 2009).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2010

13. CONTINGENT LIABILITIES

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Guarantees given to the Singapore government for working permits of foreign workers in Singapore	668	443

14. CAPITAL COMMITMENTS

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	491,713	87,554

15. EVENT AFTER THE INTERIM PERIOD

On 28 July 2010, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Siemens Aktiengesellschaft (the "Seller") pursuant to which the Company has conditionally agreed to acquire the entire interest of the 13 direct and indirect subsidiaries of the Seller currently operating the Siemens Electronics Assembly Systems Business in 11 countries, including Germany, the PRC, the United Kingdom, France, Austria, the United States of America, Mexico, Singapore, Sweden, Italy and Brazil.

Completion of the proposed acquisition is subject to the fulfillment of a number of conditions precedent as stated in the Acquisition Agreement. The acquisition may or may not be completed. As at the date of approval for the issuance of the condensed consolidated financial statements, the consideration of the acquisition is subject to adjustments and the financial effect of the acquisition cannot yet be determined.

Details of the acquisition, the conditions precedent and the adjustments to the consideration are set out in the announcement on "Major Transaction – Acquisition of the SEAS Business" of the Company dated 28 July 2010.

OTHER INFORMATION

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 30 June 2010 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 Issuers were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of shareholding in the Company
Arthur H. del Prado	Beneficial Owner	*(Note 1)*	–
Charles Dean del Prado	Beneficial Owner	*(Note 2)*	–
Lee Wai Kwong *(Note 3)*	Beneficial Owner	716,700	0.18%
Lo Tsan Yin, Peter *(Note 4)*	Beneficial Owner	444,000	0.11%
Chow Chuen, James *(Note 5)*	Beneficial Owner	372,000	0.09%

(b) Share options of ASM International N.V.:

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2010	On appointment as director of the Company	Forfeited as a result of the performance condition during the period	At 30 June 2010
Arthur H.del Prado	23.5.2007	23.5.2010 – 23.5.2015	EURO19.47	60,441	–	(7,555)	52,886
Charles Dean del Prado	1.2.2003	1.2.2006 – 1.2.2013	USD11.35	–	20,000	–	20,000
	23.5.2007	23.5.2010 – 23.5.2015	EURO19.47	–	22,451	(2,806)	19,645
	1.3.2008	1.3.2011 – 1.3.2016	EURO12.71	–	100,000	–	100,000
	30.11.2009	30.11.2012 – 30.11.2017	EURO15.09	–	50,000	–	50,000

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions (Continued)

Notes:

1. As regards Mr. Arthur H. del Prado:

   (a) he himself, a member of his immediate family and a trust controlled by him together held about 20.29% shareholding (which carry voting power), represented by 10,704,878 common shares, in the issued share capital in ASM International N.V.. ASM International N.V. is a controlling shareholder of the Company holding 207,427,500 Shares which in aggregate represent approximately 52.59% of the entire share capital of the Company through its wholly-owned subsidiary, namely, ASM Pacific Holding B.V., and he is accordingly deemed or taken to be so interested; and

   (b) ASM International N.V. 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. Mr. Charles Dean del Prado and his spouse directly held 134,317 common shares in ASM International N.V., together with his interest of 713,000 common shares in ASM International N.V. held through a trust controlled by Mr. Arthur H. del Prado, he is deemed to be interested in an aggregate of 847,317 common shares in ASM International N.V., representing 1.6% shareholding (which carry voting power) in the issued share capital in ASM International N.V..

3. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), on 2 March 2010 the Board of Directors resolved to allocate Share entitlements at par value to the management and employees of the Company in respect of their services for the vesting period from 2 March 2010 until 15 December 2010 (both days inclusive) ("Vesting Period") whereby the Company has agreed on 2 March 2010 to allocate to Mr. Lee an entitlement of 110,000 Shares in respect of his services upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Lee in relation to this entitlement and his interest of 716,700 Shares includes this 110,000 Shares entitlement.

4. As at 30 June 2010, Mr. Lo beneficially owned 2,500 shares of ASM International N.V. (representing 0.0047% shareholding (which carry voting power) in the issued share capital in ASM International N.V.), and pursuant to the Scheme, on 2 March 2010 the Company also agreed to allocate to him an entitlement of 96,000 Shares in respect of his services upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Lo in relation to this entitlement and his interest of 444,000 Shares includes this 96,000 Shares entitlement.

5. Pursuant to the Scheme, on 2 March 2010 the Company agreed to allocate to Mr. Chow an entitlement of 78,000 Shares in respect of his services upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Chow in relation to this entitlement and his interest of 372,000 Shares includes this 78,000 Shares entitlement.

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 30 June 2010, none of the Directors or chief executives of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons (other than the interests disclosed above in respect of Directors or chief executives 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 N.V.	Interest of a controlled corporation	207,427,500	52.59%	–	–
ASM Pacific Holding B.V.	Beneficial owner	207,427,500	52.59%	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	35,599,720	9.02%	–	–

Save as disclosed above, as at 30 June 2010, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interests or short positions in the shares or underlying shares of the Company.

CORPORATE GOVERNANCE

The Group has complied with all the code provisions set out 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 during the six months ended 30 June 2010 except the following deviations:

Code Provision A.4.1

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 are not appointed for specific term, but they are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years pursuant to the Articles of Association of the Company. As such, the Company considers that such provisions in the Articles of Association are sufficient to meet the underlying objective of the relevant provision of the CG Code.

OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE (Continued)

Code provision E.1.2

Under Code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board did not attend the annual general meeting of the Company held on 23 April 2010 due to other commitment but the Chairman of the audit committee and other members of the remuneration committee of the Company were available to answer question at the shareholders' meeting.

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

AUDIT COMMITTEE

The audit committee is comprised of three Independent Non-executive Directors and one Non-executive Director who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010 in conjunction with the Company's external auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 August 2010 to 20 August 2010, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on 16 August 2010. The interim dividend will be paid on or about 27 August 2010.

ASM Pacific Technology Limited

12/F Watson Centre
16-22 Kung Yip Street
Kwai Chung, New Territories
Hong Kong
Telephone (852) 2424 2021
Facsimile (852) 2481 3367

Subsidiaries

ASM Asia Limited
ASM Assembly Automation Limited
ASM Assembly Materials Limited
ASM Technology Singapore Pte Limited
ASM Technology (M) Sdn. Bhd.
Shenzhen ASM Micro Electronic Technology Company Limited
ASM Semi-conductor Materials (Shenzhen) Company Limited

www.asmpacific.com