

ASM  Pacific Technology Limited

(STOCK CODE 股份代號: 0522)

Innovation | Collaboration | Growth
創新 | 合作 | 增長



INTERIM REPORT **2016** 中期報告

ENABLING THE DIGITAL WORLD
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CORPORATE INFORMATION

DIRECTORS

Independent Non-Executive Directors:

Orasa Livasiri, *Chairman*
Lok Kam Chong, John
Wong Hon Yee
Tang Koon Hung, Eric
Patrick Shuang Kung

Non-Executive Directors:

Arthur H. del Prado, *Emeritus Chairman*
Charles Dean del Prado
Petrus Antonius Maria van Bommel

Executive Directors:

Lee Wai Kwong
Chow Chuen, James
Robin Gerard Ng Cher Tat

AUDITOR

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

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
Commerzbank AG

SECRETARY

So Sau Ming

REGISTERED OFFICE

Whitehall House
238 North Church Street
P.O. Box 1043, George Town
Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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Hong Kong

SHARE REGISTRARS AND BRANCH REGISTER OFFICE

Tricor Secretaries Limited
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COMPANY WEBSITE AND CONTACT

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FINANCIAL HIGHLIGHTS

STRONG ORDER INTAKE CONTINUOUS IMPROVEMENT IN PROFITABILITY

Second Quarter of 2016

- Group revenue of US\$472.8 million, representing an increase of 28.2% over the preceding quarter and a decline of 2.5% against the same period last year
- Net profit of HK\$354.4 million, representing a surge of 177.0% over the preceding quarter and a decline of 19.1% against the same period last year
- Earnings per share of HK\$0.89 for the second quarter 2016
- Back-end equipment revenue of US\$255.1 million, representing increases of 54.6% and 6.3% over the preceding three months and the same period last year, respectively
- Materials revenue of US\$61.8 million, representing increases of 12.0% and 7.1% over the preceding three months and the same period last year, respectively
- SMT Solutions revenue of US\$155.9 million, representing an increase of 4.9% over the preceding three months and a decline of 16.7% against the same period last year
- New order bookings of US\$561.4 million, an increase of 37.1% and 13.6% over the preceding quarter and the same period last year, respectively
- Cash and bank deposits of HK\$2.75 billion as of 30 June 2016

First Half of 2016

- Group revenue of US\$841.1 million, representing a decline of 4.2% against the first six-month period of last year and an improvement of 6.0% over the second six-month period of last year
- Net profit of HK\$482.3 million, representing a decline of 33.3% and an increase of 109.6% as compared to the first and second six-month period of 2015, respectively
- Earnings per share of HK\$1.22 for the first half of 2016
- Back-end equipment revenue of US\$419.9 million, representing increases of 1.0% and 23.4% over the first and second six-month period of last year, respectively
- Materials revenue of US\$116.9 million, representing increases of 2.1% and 10.0% over the first and second six-month period of last year, respectively
- SMT Solutions revenue of US\$304.3 million, representing contractions of 12.5% and 12.2% against the first and second six-month period of last year, respectively
- New order bookings of US\$970.7 million, representing increases of 1.3% and 27.5% over the first and second six-month period of last year, respectively
- Order backlog stood at US\$519.2 million as of 30 June 2016

FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3,669,208	3,761,952	6,531,282	6,817,818
Cost of sales	(2,234,829)	(2,341,584)	(4,150,799)	(4,284,315)
Gross profit	1,434,379	1,420,368	2,380,483	2,533,503
Other income	9,163	5,276	14,434	12,950
Selling and distribution expenses	(320,350)	(333,088)	(606,210)	(631,199)
General and administrative expenses	(199,697)	(190,508)	(371,697)	(361,311)
Research and development expenses	(310,565)	(300,404)	(576,851)	(581,636)
Other gains and losses	(26,401)	(18,401)	(31,324)	52,037
Restructuring costs	(78,863)	–	(80,257)	–
Finance costs	(42,174)	(39,158)	(91,663)	(76,954)
Profit before taxation	465,492	544,085	636,915	947,390
Income tax expense	(111,107)	(105,825)	(154,599)	(224,534)
Profit for the period	354,385	438,260	482,316	722,856
Profit for the period attributable to:				
Owners of the Company	359,323	438,260	493,115	722,856
Non-controlling interests	(4,938)	–	(10,799)	–
	354,385	438,260	482,316	722,856
Earnings per share				
– Basic	HK\$0.89	HK\$1.09	HK\$1.22	HK\$1.80
– Diluted	HK\$0.89	HK\$1.09	HK\$1.22	HK\$1.79

CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved revenue of HK\$6.53 billion (US\$841.1 million) for the six months ended 30 June 2016, representing a decline of 4.2% as compared with HK\$6.82 billion (US\$879.3 million) for the first six months of 2015 and an increase of 6.0% over the preceding six months. The Group's consolidated profit after taxation for the first six months of 2016 was HK\$482.3 million as compared to a profit of HK\$722.9 million in the corresponding period in 2015 and a profit of HK\$230.0 million in the preceding six months. Basic earnings per share (EPS) for the first six months of 2016 amounted to HK\$1.22 (first six months of 2015: HK\$1.80, second six months of 2015: HK\$0.58).

DIVIDEND

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK\$0.80 (2015: HK\$1.00) per share, payable to shareholders whose names appear on the Register of Members of the Company on 19 August 2016.

REVIEW

Despite uncertain macroeconomic conditions, the improvement in bookings seen in the first quarter of this year has continued into the second quarter. In fact, the Group experienced strong order intake during the second quarter of this year. Group bookings grew to US\$561.4 million, registering improvements of 37.1% quarter-on-quarter and 13.6% year-on-year.

The strong quarter-on-quarter improvement in bookings was led by the Back-end Equipment and SMT Solutions businesses. Bookings for Back-end Equipment and SMT Solutions surged by 47.7% and 43.7%, respectively. All three business segments of the Group experienced a year-on-year booking improvement.

As a result of the strong order intake, Group bookings for the first half of this year were US\$970.7 million, delivering a strong improvement of 27.5% against the preceding six-month period and a year-on-year improvement of 1.3%.

During the past three months, the Group achieved billings of US\$472.8 million. It represented an improvement of 28.2% over the first quarter of this year and a small contraction of 2.5% against the same period a year ago.

Group billings for the first six months were US\$841.1 million, which represented a gain of 6.0% over the preceding six months but a contraction of 4.2% as compared to the same period last year. The contraction relative to the same period last year was due to the market experiencing a slow start to 2016 and the year-on-year contraction of the SMT Solutions billings.

In terms of geographical distribution of the Group's billings, China inclusive of Hong Kong (53.3%), Europe (16.6%), the Americas (7.8%), Malaysia (6.7%) and Taiwan (4.1%) were the top five markets for ASMPT in the first half of this year. The successful execution of our aggressive diversified market strategy saw our top five customers collectively accounted for 21.8% of our total sales during the first half of 2016, with no single customer exceeding 10%. 80% of the Group's turnover in the first six-month period came from 129 customers. Of the top 20 customers in the first half of this year, 6 were from the SMT Solutions business. Our business in the first half of this year was mainly driven by customers in the LED, CIS (CMOS Imaging Sensor) and Automotive markets as well as IDMs and Chinese OSAT customers in the semiconductor industry.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

The book-to-bill ratio, representing net bookings over billings, was 1.15 for the first six months of this year. As of 30 June 2016, the order backlog was US\$519.2 million, which was an increase of 19.7% from the end of the first quarter of 2016.

The profitability of the Group has continued to improve. The Group achieved a gross margin of 39.1% for the second quarter, representing improvements of 6.0% and 1.3% over the preceding quarter and the corresponding period of last year, respectively. Gross margin for the first half of this year was 36.4%, representing an improvement of 1.0% over the preceding six months and a contraction of 0.7% against the same period a year ago. The contraction was attributable to the SMT Solutions segment as its revenue for the first half of this year was significantly lower than the revenue in the corresponding period last year.

It is notable that the strategic changes implemented in the last three years have continued to contribute positively to the profitability improvement of the Group. During the second quarter of 2016, the Group's Back-end Business comprising the Back-end Equipment and the Materials segments achieved a gross margin of 38.8% while gross margin of our SMT Solutions has bounced back to 39.8%. In fact, gross margins for both Back-end Equipment segment and Materials segment achieved year-on-year as well as sequential improvement during the second quarter and the first half of this year.

Net profits for the second quarter of 2016 were HK\$354.4 million, which represented an improvement of 177.0% over the preceding quarter and a contraction of 19.1% against the same period last year due to lower revenue. During the first six months of 2016, net profits were HK\$482.3 million, representing an improvement of 109.6% over the second half of 2015 and a contraction of 33.3% as compared to the first half of 2015.

As the lease of the Group's manufacturing facilities in Yantian, Shenzhen, China will expire by March 2017 and the area has been designated for re-development by the local government, the Group has decided to move the Yantian operations to the Group's existing manufacturing operations in Longgang, Shenzhen, China. We believe that the consolidation will help to improve the efficiency and logistics of the Group's manufacturing operations in Shenzhen. This relocation is expected to commence in the third quarter of this year and to be completed by the first half of 2017. A charge of HK\$75.0 million arising from the relocation has been included in the Group's financial results as Restructuring Costs for the second quarter of this year. This charge comprised severance-related costs, incentives payments and other compensation to employees for relocation to new premises and the termination costs of the related facilities. The savings from the reduced headcount and consolidation of facilities are estimated to be HK\$40.7 million per year.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Back-end Equipment Business

Our Back-end Equipment business performed very well during the first half of this year.

During the second quarter of this year, billings in the Back-end Equipment segment amounted to US\$255.1 million, which represented a surge of 54.6% as compared to the first quarter of this year and an improvement of 6.3% over the same period a year ago.

Back-end Equipment billings for the first six months of this year were US\$419.9 million, representing improvements of 1.0% and 23.4% against the same period a year ago and the preceding six months, respectively. The Back-end Equipment segment contributed to 54.0% and 49.9% of the total Group billings during the second quarter and the first half of 2016, respectively.

New order bookings for Back-end Equipment in the second quarter of this year surged by 47.7% quarter-on-quarter and rose by 22.0% year-on-year due to strong demand for some product areas. Our diversified product portfolio strategy has once again enabled the Group to deliver a robust booking performance for Back-end Equipment during the second quarter.

For the first six months, Back-end Equipment bookings surged by 48.4% against the preceding six months and increased by 8.5% as compared to the same period a year ago.

During the first half of this year, we experienced strong demand for our LED and CIS equipment. The LED market seemed to have picked up its growth momentum with LED general lighting and large display panels continuing to serve as the growth drivers in this market. Demand from IC and discrete market has also recovered strongly from the second half of last year.

While the shipment growth rate of smartphones has come down, we noticed that phone suppliers are focusing more on providing new-generation phones to the market with better features and capabilities. This translated into demand for more advanced assembly equipment and in particular the CIS equipment. We also expect more cameras to be deployed in automobiles. Dual cameras and 3D-sensing devices will further fuel demand for CIS equipment. ASMPT has developed a comprehensive product portfolio for the assembly of CIS modules, ranging from assembly equipment such as die and wire bonders to other more advanced equipment for lens-attach, active alignment and cleaning applications. We believe CIS equipment will continue to be one of the growth drivers of our Back-end Equipment business.

Although we are only in the middle of 2016, the strong order intake that we have received during the past six months led us to project with great confidence that we should achieve full year billing improvements over 2015 for our wire bonders, CIS and laser dicing equipment.

Our investment in developing a product portfolio for Advanced Packaging market has continued to bear fruit. Currently, we are engaging with a number of key customers to provide various solutions for wafer level and panel level fan-out packaging. ASMPT participates in this market with an extensive product portfolio that includes NUCLEUS and SIPLACE CA for pick and place process, ALSI laser dicing system for wafer grooving and package singulation, ORCAS for wafer encapsulation, DEK printer, and SUNBIRD for pick, test, inspect and pack. This unique and extensive product portfolio has expanded ASMPT's serviceable available market ("SAM") in the Back-end Equipment market and well positioned the Group to capture future growth opportunity.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Back-end Equipment Business (Continued)

At the same time, the Group continues to expand its reach in the automotive electronics, the power management module, the System-in-Package ("SiP") and the Internet of Things ("IoT") markets.

Overall, we believe that our Back-end Equipment business is moving on the right track, which is to have a balanced coverage and efforts devoted between the emerging advanced packaging and the mainstream interconnection technologies, as well as in application-specific markets like LED, CIS, power management, automotive and IoT.

During the second quarter of this year, the Back-end Equipment segment achieved a gross margin of 44.1%, which is the best gross margin in the past twenty quarters. It represented improvements of 4.3% and 3.1% over the preceding quarter and the same period last year, respectively. The Back-end Equipment business achieved a gross margin of 42.5% during the first half of this year, representing improvements of 2.1% and 4.2% over the first and second half of 2015, respectively. This business achieved segment results of 22.5% and 18.5% for the second quarter and the first six months this year, respectively. It represented significant improvements of 10.2% and 11.2% over the preceding quarter and the second half of last year, respectively. It demonstrated that the strategic changes that we have initiated in the past three years are bearing fruit. Our strategy of building a more flexible workforce and increasing the ratio of external manufacturing has stabilised the gross margin of this business segment. With our continuing cost reduction efforts, the profitability of Back-end Equipment segment has continued to improve.

Materials Business

In the second quarter, Materials billings were US\$61.8 million, representing a quarter-on-quarter improvement of 12.0% and a year-on-year improvement of 7.1%.

Materials billings for the first six-month period of this year were US\$116.9 million, representing improvements of 10.0% and 2.1% against the preceding six months and the same period a year ago, respectively. The Materials segment contributed to 13.1% and 13.9% of the total Group billings during the second quarter and the first half of 2016, respectively.

On a six-month basis, bookings for Materials segment improved by 9.1% and 11.0% against the preceding six-month period and the same period last year, respectively.

During the second quarter, new order bookings for Materials segment grew by 3.4% year-on-year but contracted by 9.8% quarter-on-quarter. The quarter-on-quarter contraction in booking is partially due to the extraordinary strong bookings received in the first quarter of 2016. The year-on-year booking growth during the second quarter as well as for the first six months of this year showed a more consistent trend.

The Materials segment continued to make moderate progress in improving its gross margin and profitability. The Materials segment achieved gross margins of 16.5% during the second quarter as well as the first half of this year, respectively. It represents year-on-year improvement of 1.1% over the second quarter and the first half of last year, respectively. Segment result was 10.4% and 9.9% for the second quarter and the first half of this year respectively, representing year-on-year improvements of 1.4% and 0.7%.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

SMT Solutions Business

SMT Solutions billings were US\$155.9 million in the second quarter of this year, representing an improvement of 4.9% as compared to the first quarter of this year but a contraction of 16.7% against the same period a year ago.

For the six-month period, the SMT Solutions segment billings were US\$304.3 million, representing contractions of 12.5% and 12.2% as compared to the first half of 2015 and the preceding six months, respectively. The SMT Solutions segment contributed to 32.9% and 36.2% of the total Group billings during the second quarter and the first half of 2016, respectively.

New order bookings for the SMT Solutions segment for the six-month period improved by 12.1% over the preceding six months but contracted by 9.9% as compared to the same period last year. These contractions were not unexpected as the SMT equipment market typically lags behind the Back-end equipment market by one to two quarters.

New order bookings during the second quarter of this year improved by 43.7% and 6.4% as compared to the preceding quarter and the same period a year ago, respectively. We are encouraged by the quarter-on-quarter as well as year-on-year booking improvements achieved during the second quarter of this year.

Our SMT Solutions segment achieved gross margins of 39.8% and 35.8% during the second quarter and the first half of this year, respectively. It represents a significant improvement of 8.1% as compared to the first quarter of this year. The strong quarter to quarter improvement was mainly due to a favourable product mix and a release of warranty provision – a result of continuous improvement in quality and reliability.

Research and Development

During the past six months, ASMPT continued to invest relentlessly in research and development, thereby maintaining a valuable competitive edge over its peers.

Research and development expenses for the period were HK\$576.9 million, of which 42.1% was spent on the SMT Solutions Business. As of 30 June 2016, the Group operates six research and development centres worldwide in Hong Kong and Chengdu (China), Singapore, Munich (Germany), Weymouth (the United Kingdom) and Beuningen (the Netherlands) with approximately 1,700 global talents engaged in research and development.

The Group's research and development capability and capacity are important core competences of the Group. With a combination of its depth and breadth of expertise and knowledge, the Group has the necessary requisites to be the preferred partner of its customers when taking on new packaging challenges.

Our strategic engagement with key customers to develop new technologies like Thermos-Compression Bonding (TCB), active alignment equipment for CIS applications and wafer level/panel level fan out applications are yielding positive results. Customers are attracted by ASMPT's breadth and depth of enabling technologies, strong financial resources, and excellent market network and infrastructure support. We believe that our strong R&D competence will increasingly differentiate the Group from its peers and put ASMPT at the forefront of technological innovations as well as capturing market opportunities ahead.

CHAIRMAN'S STATEMENT (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

Return on capital employed and on sales were 8.2% and 10.8% respectively for the six-month period of this year.

Our ending inventory as of 30 June 2016 rose to HK\$4.22 billion, as compared to HK\$3.48 billion as of 31 December 2015, mainly due to an increase in our production activities on the back of increased demand. Our annualised inventory turnover was 3.39 times (first half of 2015: 3.45 times).

Days sales-outstanding decreased to 103.9 days from 108.4 days in the second half of 2015. Return on invested capital for the past six months was 15.2% (annualised).

Capital expenditure ("capex") in the first six months was HK\$174.6 million, which was fully funded by the depreciation and amortisation of HK\$224.0 million for the same period. After paying last year's final dividend totalling HK\$161.8 million in May, funding capital investments and paying off some bank loans in the first half of 2016, cash and bank deposits as of 30 June 2016 were HK\$2.75 billion, which was HK\$479.2 million higher than six months ago. Our current ratio stands at 1.83, and we have a debt-equity ratio of 28.2% (debt represents all bank borrowings and convertible bonds).

Bank borrowings, which are mainly arranged to support day-to-day operations and to finance our growth activities, are denominated in U.S. dollars. The Group used the net proceeds of the convertible bonds, which were denominated in Hong Kong dollars, raised in year 2014 with an annual coupon of 2.00%, and due in 2019, to fund the acquisition of the DEK business and other working capital requirements. Cash holdings of the Group are mainly in U.S. dollars, Euros, Chinese renminbi and Hong Kong dollars. The Group's SMT Solutions Business segment enters into U.S. dollar and Euro hedging contracts to mitigate the foreign currency risks as the production of SMT equipment and its suppliers are mainly located in Europe while a substantial part of the Group's revenue for SMT equipment is denominated in U.S. dollars.

After considering the near to mid-term cash flow need for the Company, the Board recommends a dividend of HK\$0.80 per share, representing a payout ratio of 65.9%.

HUMAN RESOURCE

As of 30 June 2016, the total headcount of the Group worldwide was approximately 14,800 employees including 259 temporary or short-term contract staff. Approximately 70.1% is in China, 9.5% in Singapore, 6.3% in Germany, 5.9% in Malaysia, and 3.2% in the United Kingdom.

ASMPT recognises that human resource is one of the Group's most important assets. Hence, we continue to adopt a proactive approach to attract, develop and retain people with the right aptitude and abilities to meet current and future organisational needs. Besides offering competitive remuneration packages, the Group is also committed to providing specialised yet demanding staff development and training programmes. In addition to annual salary and remuneration, 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.

Total human resource costs for the first six months of 2016 were HK\$1.91 billion, as compared to HK\$1.96 billion for the same period in 2015. This year, the Board granted a total of 2,501,100 incentive shares to 1,295 employees, inclusive of the three Executive Directors of the Company. The vesting period of these incentive shares will end on 15 December 2016.

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECTS

While the market has been developing in line with our expectations to date, we remain concerned, however, about the uncertain macro-economic outlook, and, in particular, the effect of Brexit on global demand. If the global economic uncertainty continues, customers may potentially curtail their investments. This would in turn affect our business ahead.

Assuming that the macro-economic conditions are not going to have a significant impact on our business in the second half of this year, we believe that the Group stands a fair chance to achieve full year billings improvement over last year.

With a strong backlog on hand, unless our customers' confidence towards the market deteriorates significantly due to the uncertain macro-economic conditions, we expect Group billings in the third quarter of this year to achieve a double-digit percentage improvement over the preceding quarter and a strong improvement against the same period last year. We expect a seasonal decline in bookings in the third quarter of this year after a strong booking performance in the preceding quarter.

We believe that our strategic transformation efforts will continue to deliver sustainable results over the long term. The Group has successfully built SMT Solutions as the second engine of growth and harnessed the synergies that we have envisaged. We have also addressed the structural cost issues in the Back-end Equipment business. Through continuous efforts, we have significantly reduced gross margin fluctuation that was the result of revenue volatility while improving the profitability of the Back-end Equipment business relative to previous years. We have developed a comprehensive product portfolio for advanced packaging applications which well positions the Group to capture growth opportunities and increase market share. To stay ahead of the curve, the Group invested in advanced packaging materials business late last year. This investment will contribute positively to the profitability and revenue growth of the Materials Business segment. With all the ground work done over the past few years, the Group is well prepared to capture market opportunities ahead and enjoy the fruits of its effort.

Orasa Livasiri
Chairman
28 July 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ASM PACIFIC TECHNOLOGY LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of ASM Pacific Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 13 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 July 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	6,531,282	6,817,818
Cost of sales		(4,150,799)	(4,284,315)
Gross profit		2,380,483	2,533,503
Other income		14,434	12,950
Selling and distribution expenses		(606,210)	(631,199)
General and administrative expenses		(371,697)	(361,311)
Research and development expenses		(576,851)	(581,636)
Other gains and losses	5	(31,324)	52,037
Restructuring costs	6	(80,257)	–
Finance costs	7	(91,663)	(76,954)
Profit before taxation		636,915	947,390
Income tax expense	8	(154,599)	(224,534)
Profit for the period		482,316	722,856
Profit for the period, attributable to:			
Owners of the Company		493,115	722,856
Non-controlling interests		(10,799)	–
		482,316	722,856
Earnings per share	10		
– Basic		HK\$1.22	HK\$1.80
– Diluted		HK\$1.22	HK\$1.79

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period	482,316	722,856
Other comprehensive income (expense)		
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	30,426	(192,358)
Total comprehensive income for the period	<u>512,742</u>	<u>530,498</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	523,462	530,498
Non-controlling interests	(10,720)	–
	<u>512,742</u>	<u>530,498</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	2,184,052	2,218,161
Investment property		61,105	63,048
Goodwill		428,213	427,754
Intangible assets		585,441	604,888
Prepaid lease payments		22,102	22,573
Pledged bank deposits		1,425	2,562
Deposits paid for acquisition of property, plant and equipment		31,122	13,666
Rental deposits paid	12	27,344	24,755
Deferred tax assets		315,591	289,846
Other non-current assets		103,860	106,496
		<u>3,760,255</u>	<u>3,773,749</u>
Current assets			
Inventories		4,219,695	3,482,436
Trade and other receivables	12	4,555,219	4,304,398
Prepaid lease payments		846	822
Derivative financial instruments		3,712	2,108
Income tax recoverable		33,341	21,774
Pledged bank deposits		1,441	7,228
Bank deposits with original maturity of more than three months		381,607	254,983
Bank balances and cash		2,372,675	2,020,145
		<u>11,568,536</u>	<u>10,093,894</u>
Current liabilities			
Trade and other payables	13	3,424,986	2,389,798
Derivative financial instruments		3,748	9,057
Provisions	14	338,261	280,733
Income tax payable		307,068	415,728
Convertible bonds	17	2,172,915	–
Bank borrowings	15	90,516	37,459
		<u>6,337,494</u>	<u>3,132,775</u>
Net current assets		<u>5,231,042</u>	<u>6,961,119</u>
		<u>8,991,297</u>	<u>10,734,868</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2016

	<i>Notes</i>	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Capital and reserves			
Share capital	16	40,610	40,453
Dividend reserve	9	324,884	161,812
Other reserves		8,184,256	7,804,254
Equity attributable to owners of the Company		8,549,750	8,006,519
Non-controlling interests		18,746	29,466
Total equity		8,568,496	8,035,985
Non-current liabilities			
Convertible bonds	17	–	2,264,775
Retirement benefit obligations		142,669	127,833
Provisions	14	50,222	65,459
Bank borrowings	15	142,239	141,441
Deferred tax liabilities		56,001	61,622
Other liabilities and accruals	13	31,670	37,753
		422,801	2,698,883
		8,991,297	10,734,868

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2016

	Equity attributable to owners of the Company											Attributable to non-controlling interests	Total
	Share capital	Share premium	Employee share-based compensation reserve	Shares held for share award scheme	Capital redemption reserve	Capital reserve	Convertible bonds equity reserve	Translation reserve	Retained profits	Dividend reserve	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	40,252	1,074,976	-	-	155	72,979	266,932	(244,671)	6,471,297	523,274	8,205,194	-	8,205,194
Profit for the year	-	-	-	-	-	-	-	-	956,191	-	956,191	(3,277)	952,914
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	(396,035)	-	-	(396,035)	1	(396,034)
Remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	-	-	-	-	-	-	-	-	11,689	-	11,689	-	11,689
Total comprehensive income for the year	-	-	-	-	-	-	-	(396,035)	967,880	-	571,845	(3,276)	568,569
Sub-total	40,252	1,074,976	-	-	155	72,979	266,932	(640,706)	7,439,177	523,274	8,777,039	(3,276)	8,773,763
Acquisition of business	-	-	-	-	-	-	-	-	-	-	-	32,742	32,742
Recognition of equity-settled share-based payments	-	-	178,617	-	-	-	-	-	-	-	178,617	-	178,617
Purchase of shares under Employee Share Incentive Scheme	-	-	-	(23,344)	-	-	-	-	-	-	(23,344)	-	(23,344)
Shares vested under the Employee Share Incentive Scheme	-	-	(24,674)	23,344	-	-	-	-	1,330	-	-	-	-
Shares issued under the Employee Share Incentive Scheme	201	153,742	(153,943)	-	-	-	-	-	-	-	-	-	-
2014 final dividend paid	-	-	-	-	-	-	-	-	-	(523,274)	(523,274)	-	(523,274)
2015 interim dividend paid	-	-	-	-	-	-	-	-	(402,519)	-	(402,519)	-	(402,519)
2015 final dividend proposed	-	-	-	-	-	-	-	-	(161,812)	161,812	-	-	-
At 31 December 2015 and 1 January 2016 (audited)	40,453	1,228,718	-	-	155	72,979	266,932	(640,706)	6,876,176	161,812	8,006,519	29,466	8,035,985
Profit for the period	-	-	-	-	-	-	-	-	493,115	-	493,115	(10,799)	482,316
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	30,347	-	-	30,347	79	30,426
Total comprehensive income for the period	-	-	-	-	-	-	-	30,347	493,115	-	523,462	(10,720)	512,742
Sub-total	40,453	1,228,718	-	-	155	72,979	266,932	(610,359)	7,369,291	161,812	8,529,981	18,746	8,548,727
Conversion of convertible bonds	157	161,063	-	-	-	-	(16,683)	-	-	-	144,537	-	144,537
Recognition of equity-settled share-based payments	-	-	59,036	-	-	-	-	-	-	-	59,036	-	59,036
Purchase of shares under the Employee Share Incentive Scheme	-	-	-	(21,992)	-	-	-	-	-	-	(21,992)	-	(21,992)
2015 final dividend paid	-	-	-	-	-	-	-	-	-	(161,812)	(161,812)	-	(161,812)
2016 interim dividend declared after end of interim period	-	-	-	-	-	-	-	-	(324,884)	324,884	-	-	-
At 30 June 2016 (unaudited)	40,610	1,389,781	59,036	(21,992)	155	72,979	250,249	(610,359)	7,044,407	324,884	8,549,750	18,746	8,568,496

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

	Equity attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Shares held for share award scheme HK\$'000 (Note 18)	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	40,252	1,074,976	-	-	155	72,979	266,932	(244,671)	6,471,297	523,274	8,205,194
Profit for the period	-	-	-	-	-	-	-	-	722,856	-	722,856
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	(192,358)	-	-	(192,358)
Total comprehensive income for the period	-	-	-	-	-	-	-	(192,358)	722,856	-	530,498
Sub-total	40,252	1,074,976	-	-	155	72,979	266,932	(437,029)	7,194,153	523,274	8,735,692
Recognition of equity-settled share-based payments	-	-	60,732	-	-	-	-	-	-	-	60,732
Purchase of shares under the Employee Share Incentive Scheme	-	-	-	(18,221)	-	-	-	-	-	-	(18,221)
2014 final dividend paid	-	-	-	-	-	-	-	-	-	(523,274)	(523,274)
2015 interim dividend declared after end of interim period	-	-	-	-	-	-	-	-	(402,519)	402,519	-
At 30 June 2015 (unaudited)	40,252	1,074,976	60,732	(18,221)	155	72,979	266,932	(437,029)	6,791,634	402,519	8,254,929

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cash generated from operations	1,099,084	207,009
Income taxes paid	(305,454)	(175,884)
Net cash from operating activities	793,630	31,125
Net cash used in investing activities		
Purchase of property, plant and equipment	(175,480)	(204,003)
Placement of bank deposits with original maturity of more than three months	(327,210)	(155,770)
Structured deposits placed	–	(94,648)
Deposits paid for acquisition of property, plant and equipment	(31,122)	(24,311)
Withdrawal of bank deposits with original maturity of more than three months	201,193	–
Withdrawal of pledged bank deposit	–	188,340
Other investing cash flows	23,287	13,387
	(309,332)	(277,005)
Net cash used in financing activities		
Dividends paid	(161,812)	(523,274)
Bank borrowings raised	70,033	38,766
Repayment of bank borrowings	(16,236)	(86,698)
Other financing cash flows	(39,598)	(27,596)
	(147,613)	(598,802)
Net increase (decrease) in cash and cash equivalents	336,685	(844,682)
Cash and cash equivalents at beginning of the period	2,020,145	2,593,756
Effect of foreign exchange rate changes	15,845	(79,687)
Cash and cash equivalents at end of the period, represented by bank balances and cash	2,372,675	1,669,387

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2015.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and structured deposits which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The application of those amendments to HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised Hong Kong Accounting Standards (“HKASs”), HKFRSs and amendments that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKAS 7	Disclosure Initiative ³
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses ³
Amendments to HKFRS 15	Clarifications to HKFRS 15 “Revenue from Contracts with Customers” ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of those new and revised standards, and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group has three (2015: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company’s Chief Executive Officer, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2015: three) major types of products manufactured by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (Continued)

Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income, unallocated net foreign exchange (loss) gain, unallocated general and administrative expenses and restructuring costs.

Segment revenue and results

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue from external customers		
Back-end equipment	3,260,152	3,227,849
Surface mount technology solutions	2,363,525	2,700,674
Materials	907,605	889,295
	<u>6,531,282</u>	<u>6,817,818</u>
Segment profit		
Back-end equipment	603,556	507,766
Surface mount technology solutions	199,111	407,333
Materials	90,079	82,383
	<u>892,746</u>	<u>997,482</u>
Interest income	10,167	3,527
Finance costs	(91,663)	(76,954)
Unallocated other income	126	–
Unallocated net foreign exchange (loss) gain	(34,725)	49,394
Unallocated general and administrative expenses	(59,479)	(26,059)
Restructuring costs	(80,257)	–
	<u>636,915</u>	<u>947,390</u>
Profit before taxation		

No analysis of the Group's assets and liabilities by operating segment is disclosed as they are not regularly provided to the chief operating decision maker for review.

All of the segment revenue derived by the segments is from external customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

3. SEGMENT INFORMATION (Continued)

Geographical analysis of revenue by location of customers

	Revenue from external customers Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Mainland China	2,900,279	2,801,247
Europe	1,086,963	1,113,993
– Germany	361,278	321,889
– Hungary	113,419	94,276
– France	89,440	64,882
– Romania	64,498	90,709
– Austria	32,575	68,712
– Others	425,753	473,525
Hong Kong	582,059	576,470
Americas	506,216	474,999
– United States of America	316,379	327,797
– Mexico	100,001	73,845
– Canada	62,766	52,585
– Others	27,070	20,772
Malaysia	439,233	441,139
Taiwan	266,154	319,106
Thailand	198,736	221,868
Japan	167,760	297,241
Philippines	137,274	202,802
Korea	129,392	202,120
Singapore	53,029	87,104
Others	64,187	79,729
	<u>6,531,282</u>	<u>6,817,818</u>

4. DEPRECIATION AND AMORTIZATION

During the period, depreciation and amortization amounting to HK\$201.2 million (HK\$192.9 million for the six months ended 30 June 2015), HK\$0.7 million (HK\$0.8 million for the six months ended 30 June 2015) and HK\$20.5 million (HK\$18.5 million for the six months ended 30 June 2015) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

5. OTHER GAINS AND LOSSES

During the period, included in other gains and losses are mainly net foreign exchange loss of HK\$34.7 million (net foreign exchange gain of HK\$49.4 million for the six months ended 30 June 2015).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

6. RESTRUCTURING COSTS

During the period, included in restructuring costs are mainly plant relocation costs for moving manufacturing facilities located at Yantian, Shenzhen, China to Longgang, Shenzhen, China. Due to the local authorities' redevelopment plans, part of the operation of a subsidiary of the Company, Shenzhen ASM Micro Electronic Technology Co., Ltd., was required to move out of its premises located in Yantian by the first half of 2017. In connection with this plant relocation, the Group recorded HK\$75,012,000 restructuring costs for the period ended 30 June 2016, which primarily relates to estimated severance payments of HK\$47,450,000 and incentive payments and other compensation of HK\$23,500,000 to employees for relocation to new premises of the Group.

7. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	1,923	1,653
Interest on convertible bonds (<i>note 17</i>)	75,884	73,447
Others	13,856	1,854
	<u>91,663</u>	<u>76,954</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	23,069	21,697
PRC Enterprise Income Tax	60,509	33,619
Other jurisdictions	101,342	217,606
	<u>184,920</u>	<u>272,922</u>
Deferred tax credit:		
Current period	(30,321)	(48,388)
	<u>154,599</u>	<u>224,534</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE (Continued)

Current tax:

- (a) Hong Kong Profits Tax is calculated at 16.5% (16.5% for the six months ended 30 June 2015) of the estimated assessable profit for the period.
- (b) Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% for the six months ended 30 June 2016 (25% for the six months ended 30 June 2015), except for ASM Technology China Limited ("ATC"). On 28 October 2015, ATC was recognized as an advanced technology service enterprise ("ATSE") by the Chengdu Science and Technology Bureau for a period of 3 years, i.e. from 2015 to 2017. According to the tax circular Caishui [2014] No. 59, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15% from 2015 to 2017, subject to fulfillment of recognition criteria for ATSE during the relevant period.
- (c) On 12 July 2010, the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate to ASM Technology Singapore Pte Ltd. ("ATS"), a principal subsidiary of the Company, to the effect that profits arising from certain new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods. EDB also granted a 5-year Development and Expansion Incentive to ATS to the effect that profits arising from certain existing products are subject to tax at a concessionary tax rate of 10% for a period of 5 years from 1 January 2011, subject to the fulfillment of certain criteria during the relevant period.

On the same date, EDB also granted ATS an International Headquarters Award to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period.

Income of ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (17% for the six months ended 30 June 2015).

- (d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (15.00% for the six months ended 30 June 2015) plus 5.50% (5.50% for the six months ended 30 June 2015) solidarity surcharge thereon for the assessable profit for the period. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 12.495% to 17.015% (11.550% to 17.015% for the six months ended 30 June 2015) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 28.320% and 32.840% (27.375% to 32.840% for the six months ended 30 June 2015).
- (e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE (Continued)

The deferred tax credit is mainly related to the tax effect of temporary difference between the tax base of certain assets and liabilities and the carrying value of the assets and liabilities. The balance mainly includes deductible temporary differences arising from retirement benefit obligations, provisions, inventories and trade receivables.

The Group continued to receive letters from the Hong Kong Inland Revenue Department during the six months ended 30 June 2016 seeking information relating to Hong Kong 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 or tax adjustments to companies currently subject to Hong Kong Profits Tax. As at 30 June 2016, the Group purchased tax reserve certificates amounting to HK\$370.0 million (31 December 2015: HK\$346.0 million), as disclosed in note 12.

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that sufficient provision for taxation has been made in the condensed consolidated financial statements.

9. DIVIDENDS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Dividend recognized as distribution during the period		
Final dividend for 2015 paid of HK\$0.40 (2015: final dividend for 2014 paid of HK\$1.30) per share on 404,529,500 (2015: 402,518,700) shares	<u>161,812</u>	<u>523,274</u>
Dividend declared after the end of the interim reporting period		
Interim dividend for 2016 of HK\$0.80 (2015: HK\$1.00) per share on 406,104,633 (2015: 402,518,700) shares	<u>324,884</u>	<u>402,519</u>

The dividends declared after 30 June 2016 will be paid to the shareholders of the Company whose names appear on the Register of Members on 19 August 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

10. 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	<u>493,115</u>	<u>722,856</u>
	Number of shares (in thousands)	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	404,712	402,503
Effect of dilutive potential shares from the Employee Share Incentive Scheme	468	461
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>405,180</u>	<u>402,964</u>

Note: The computation of diluted earnings per share for both periods did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$174.6 million on the acquisition of property, plant and equipment (HK\$186.1 million for the six months ended 30 June 2015).

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Trade receivables (<i>Note a</i>)	3,728,213	3,628,676
Amount recoverable from Siemens AG (<i>Note b</i>)	19,184	18,796
Value added tax recoverable	285,553	180,234
Tax reserve certificate recoverable	370,049	346,029
Other receivables, deposits and prepayments	179,564	155,418
	<u>4,582,563</u>	<u>4,329,153</u>
Less: Non-current rental deposits paid shown under non-current assets	<u>(27,344)</u>	<u>(24,755)</u>
	<u>4,555,219</u>	<u>4,304,398</u>

An aging analysis of trade receivables presented based on the due date at the end of the reporting period is as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Not yet due	2,962,065	2,902,657
Overdue within 30 days	406,373	367,086
Overdue within 31 to 60 days	144,459	130,003
Overdue within 61 to 90 days	58,825	90,572
Overdue over 90 days	156,491	138,358
	<u>3,728,213</u>	<u>3,628,676</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

12. TRADE AND OTHER RECEIVABLES (Continued)
Notes:

- (a) The amount included notes receivables amounting to HK\$915,839,000 (31 December 2015: HK\$841,173,000).
- (b) Pursuant to the Master Sale and Purchase Agreement of the Acquisition entered into between Siemens Aktiengesellschaft ("Siemens AG") and the Company, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify 13 former direct and indirect subsidiaries of Siemens AG ("ASM AS Entities") from and against any and all taxes imposed to ASM AS Entities relating to any taxable periods beginning before and ending before or after 7 January 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of ASM AS Entities covered under the tax indemnity and is therefore recoverable from Siemens AG. It is due for settlement once the Group pays the related taxes and received the tax demand notes from tax authorities. The amount is expected to be settled in 2016.

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 or more. Each customer has a pre-set maximum credit limit.

13. TRADE AND OTHER PAYABLES

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Trade payables	1,724,433	954,419
Amount due to a subsidiary of a shareholder (<i>Note</i>)	–	9
Accrued salaries and wages	228,958	227,643
Other accrued charges	466,692	476,948
Deposits received from customers	640,876	380,224
Accrual for tax-related expense	168,400	168,400
Payables arising from acquisition of property, plant and equipment	88,447	102,513
Other payables	138,850	117,395
	<u>3,456,656</u>	<u>2,427,551</u>
Less: Non-current other liabilities and accruals	(31,670)	(37,753)
	<u>3,424,986</u>	<u>2,389,798</u>

Note: Balance represented amount due to a subsidiary of a shareholder of the Company, ASM International N.V., which is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms. The amount was settled during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

13. TRADE AND OTHER PAYABLES (Continued)

An aging analysis of trade payables presented based on the due date at the end of the reporting period is as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Not yet due	1,234,573	674,109
Overdue within 30 days	255,251	155,052
Overdue within 31 to 60 days	146,435	60,314
Overdue within 61 to 90 days	60,657	34,303
Overdue over 90 days	27,517	30,641
	<u>1,724,433</u>	<u>954,419</u>

The average credit period on purchases of goods ranges from 30 to 90 days.

14. PROVISIONS

The Group's provisions are analyzed for reporting purposes as:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Current	338,261	280,733
Non-current	50,222	65,459
	<u>388,483</u>	<u>346,192</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

14. PROVISIONS (Continued)

The Group's provisions mainly comprise warranty provision of HK\$308,781,000 (31 December 2015: HK\$333,292,000) and restructuring provision of HK\$71,460,000 (31 December 2015: HK\$3,242,000). The movements of the warranty provision and restructuring provision are as follows:

	Warranty provision HK\$'000	Restructuring provision HK\$'000
At 1 January 2015 (audited)	393,352	4,970
Currency realignment	(27,599)	(290)
Additions	227,338	49,758
Utilization	(259,799)	(51,196)
	<hr/>	<hr/>
At 31 December 2015 (audited)	333,292	3,242
Currency realignment	346	(728)
Additions	133,325	80,257
Utilization	(126,486)	(11,311)
Reversal	(31,696)	-
	<hr/>	<hr/>
At 30 June 2016 (unaudited)	<u>308,781</u>	<u>71,460</u>

15. BANK BORROWINGS

At 30 June 2016, all bank borrowings bear interest at London Interbank Offered Rate plus a margin per annum, at a weighted average effective interest rate of 1.831% (31 December 2015: 1.646%) per annum. During the six months ended 30 June 2016, the Group obtained new bank borrowings in the amount of HK\$70,033,000 (six months ended 30 June 2015: HK\$38,766,000) and repaid bank borrowings of HK\$16,236,000 (six months ended 30 June 2015: HK\$86,698,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

16. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1 January 2015	402,518	40,252
Shares issued under the Employee Share Incentive Scheme	2,011	201
At 31 December 2015	404,529	40,453
Shares issued upon conversion of convertible bonds on 20 May 2016	1,576	157
At 30 June 2016	406,105	40,610

All shares issued in prior years rank pari passu with the then existing shares in issue in all respects.

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

17. CONVERTIBLE BONDS

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK\$2,400,000,000. Interest of 2.00% per annum will be paid semi-annually in September and March, respectively.

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK\$98.21 per share. The conversion price was adjusted to HK\$96.54 per share with effect from 20 May 2015 as a result of the aggregate distribution of HK\$2.10 per share made by the Company to the shareholders for the year ended 31 December 2014. The conversion price was further adjusted to HK\$95.23 per share with effect from 18 May 2016 as a result of aggregate distribution of HK\$1.40 per share made by the Company to the shareholders for the year ended 31 December 2015. Details of the adjustments to conversion price of the convertible bonds were set out in the Company's announcements dated 13 May 2015 and 11 May 2016 respectively.

The Company will redeem the convertible bonds on the Maturity Date at their principal amount outstanding together with accrued and unpaid interest thereon.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (Continued)

The Company may, having given not less than 30 nor more than 60 days' notice (the "Redemption Notice"), redeem in whole, but not in part, of the convertible bonds at the principal amount together with interest accrued on such redemption date, provided that:

- (i) at any time after 28 March 2017 and prior to the Maturity Date, the closing price of an ordinary share of the Company, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the Redemption Notice is given, was at least 130% of the conversion price, or
- (ii) at any time, prior to the date the Redemption Notice is given, at least 90% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled.

The Company will, at the option of the bond holder, redeem all or some of that convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid. As the Company does not have an unconditional right to defer settlement of the convertible bonds in more than twelve months from the end of June 2016, the entire balance of liability component of the convertible bonds was classified as current liabilities as at 30 June 2016.

The bond holder may request immediate redemption of the convertible bonds at their principal amount then outstanding together with accrued interest upon occurrence of certain events. Details of the issue of convertible bonds were set out in the Company's announcement dated 4 March 2014.

On 20 May 2016, convertible bonds with principal amount of HK\$150,000,000 were converted into the Company's shares at the prevailing adjusted conversion price of HK\$95.23 per share. As a result, a total number of 1,575,133 shares of the Company were issued and credited as fully paid and the relevant portion of convertible bonds equity reserve of HK\$16,683,000 was transferred to share premium.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

17. CONVERTIBLE BONDS (Continued)

The movements of the liability component and equity component of the convertible bonds for the period are set out below:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	2,176,894	266,932	2,443,826
Interest charge during the year	148,571	–	148,571
Interest paid	(48,000)	–	(48,000)
At 31 December 2015 and 1 January 2016 (audited)	2,277,465	266,932	2,544,397
Conversion of convertible bonds	(144,537)	(16,683)	(161,220)
Interest charge during the period (<i>note 7</i>)	75,884	–	75,884
Interest paid	(24,000)	–	(24,000)
At 30 June 2016 (unaudited)	2,184,812	250,249	2,435,061

Liability component of the convertible bonds is analyzed for reporting purposes as:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Current liabilities		
Interest payable on convertible bonds (included in trade and other payables)	11,897	12,690
Convertible bonds	2,172,915	–
Non-current liabilities		
Convertible bonds	–	2,264,775
	2,184,812	2,277,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

18. SHARE-BASED PAYMENTS**Employee Share Incentive Scheme**

On 26 March 2015 and 15 June 2015, and pursuant to the Employee Share Incentive Scheme ("Scheme"), the directors resolved to grant and the Company granted 2,093,100 shares and 266,700 shares in the Company, respectively, to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. Out of the aggregate 2,359,800 shares granted pursuant to the Scheme, 315,000 shares were allocated to be purchased by the Trustee under the Share Award Scheme as Award Shares. The vesting period of such grants, that is, the qualification period, was from 26 March 2015 to 15 December 2015 and 15 June 2015 to 15 December 2015, respectively.

On 15 December 2015, out of the aggregate 2,359,800 shares granted on 26 March 2015 and 15 June 2015 pursuant to the Scheme, 2,010,800 shares were issued and 34,000 shares were forfeited and unallocated by the Company. 315,000 Award Shares also vested on the same date.

On 21 March 2016, the directors resolved to grant and the Company granted a total of 2,501,100 shares in the Company to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. Out of the 2,501,100 shares granted pursuant to the Scheme, 332,400 shares were allocated to be purchased by the Trustee under the Share Award Scheme as Award Shares. The vesting period of such grant, that is, the qualification period, was from 21 March 2016 to 15 December 2016.

The fair value of shares granted pursuant to the Scheme in 2015 and 2016 was determined with reference to market value of the shares at the grant date taking into account the exclusion of the expected dividends as the employees are not entitled to receive dividends paid during the vesting period.

The Group recognized an expense amounting to HK\$59,036,000 (six months ended 30 June 2015: HK\$60,732,000) for the period ended 30 June 2016 in relation to the shares granted pursuant to the Scheme in 2016 by the Company, such an amount being determined by the fair value of the shares granted at the grant date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

18. SHARE-BASED PAYMENTS (Continued)

Employee Share Incentive Scheme (Continued)

Movement of the shares granted to employees and members of the management of the Group under the Scheme:

	Number of shares '000
Outstanding as at 1 January 2015 (audited)	–
Shares granted on 26 March 2015	2,093
Shares granted on 15 June 2015	267
Allocated as Award Shares on 26 March 2015 (<i>Note</i>)	(93)
Allocated as Award Shares on 15 June 2015 (<i>Note</i>)	(222)
Outstanding as at 30 June 2015 (unaudited)	2,045
Shares entitlement forfeited on 15 December 2015	(34)
Shares issued on 15 December 2015	(2,011)
Outstanding as at 31 December 2015 and 1 January 2016 (audited)	–
Shares granted on 21 March 2016	2,501
Allocated as Award Shares on 21 March 2016 (<i>Note</i>)	(332)
Outstanding as at 30 June 2016 (unaudited)	2,169

Note: Movement of Award Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK\$'000
At 1 January 2015 (audited)	–	–
Shares purchased from the market during the year	315	23,344
Award Shares vested	(315)	(23,344)
At 31 December 2015 and 1 January 2016 (audited)	–	–
Shares purchased from the market during the period	332	21,992
At 30 June 2016 (unaudited)	332	21,992

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK\$26,192,000 (HK\$15,968,000 for the six months ended 30 June 2015).

Certain shares of the Company were issued to the key management under the Employee Share Incentive 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 the emoluments above amounted to HK\$8,727,000 (HK\$2,198,000 for the six months ended 30 June 2015) for the six months ended 30 June 2016.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015				
Foreign currency forward contracts classified as derivative financial instruments on the condensed consolidated statement of financial position	Asset- HK\$3,712,000 Liability- HK\$3,748,000	Asset- HK\$2,108,000 Liability- HK\$9,057,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There were no transfers between Level 1 and 2 in both periods.

The fair values of the financial assets and financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors consider that the carrying amounts of the other financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

21. CONTINGENT LIABILITIES

The Group has contingent liabilities as follows:

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (Audited) HK\$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	<u>2,707</u>	<u>2,189</u>

22. CAPITAL COMMITMENTS

	At 30 June 2016 (Unaudited) HK\$'000	At 31 December 2015 (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	<u>96,520</u>	<u>130,705</u>

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 2016 as recorded in the register by the Company pursuant to Section 352 of the Securities and Futures 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

Shares of HK\$0.10 each of the Company:

Name of director	Capacity	Long positions	
		Number of shares held	Percentage of shareholding in the Company
Lee Wai Kwong (<i>Note 1</i>)	Beneficial Owner	1,301,100	0.32 %
Chow Chuen, James (<i>Note 2</i>)	Beneficial Owner	608,500	0.15 %
Robin Gerard Ng Cher Tat (<i>Note 3</i>)	Beneficial Owner	160,000	0.04 %
Tang Koon Hung, Eric	Beneficial Owner	3,000	0.0007%

Notes:

1. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), on 21 March 2016, the Board of Directors resolved to allocate share entitlements to the management and employees of the Company in respect of their service with a vesting period from 21 March 2016 until 15 December 2016 (both days inclusive) ("Vesting Period"). The Company has agreed on 21 March 2016 to allocate to Mr. Lee an entitlement of 118,000 shares in respect of his service 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 1,301,100 shares includes this 118,000 shares entitlement.
2. Pursuant to the Scheme, on 21 March 2016, the Company agreed to allocate to Mr. Chow an entitlement of 68,700 shares in respect of his service 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 608,500 shares includes this 68,700 shares entitlement.
3. Pursuant to the Scheme, on 21 March 2016, the Company agreed to allocate to Mr. Ng an entitlement of 40,000 shares in respect of his service upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Ng in relation to this entitlement and his interest of 160,000 shares includes this 40,000 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 2016, 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 2016, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests or short positions 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:

Name of shareholder	Capacity	Long positions		Short positions		Lending pool	
		Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International N.V. (Note 1)	Interest of a controlled corporation	160,003,000	39.40%	-	-	-	-
ASM Pacific Holding B.V.	Beneficial owner	160,003,000	39.40%	-	-	-	-
Commonwealth Bank of Australia (Note 2)	Interest of a controlled corporation	52,343,378	12.89%	-	-	-	-
The Capital Group Companies, Inc. (Note 3)	Interest of a controlled corporation	30,855,500	7.60%	-	-	-	-
Genesis Asset Managers, LLP	Investment manager	24,136,669	5.94%	-	-	-	-
JPMorgan Chase & Co. (Note 4)		23,138,630	5.70%	10,687,006	2.63%	10,431,058	2.57%

Notes:

1. ASM International N.V. is deemed interested in 160,003,000 shares, through the shares held by its wholly owned subsidiary, ASM Pacific Holding B.V..
2. Commonwealth Bank of Australia is deemed interested in 52,343,378 shares, through the shares held by its wholly owned subsidiary, Colonial Holding Company Limited (which is deemed interested in the Company through the shares held by Commonwealth Insurance Holdings Ltd, Colonial First State Group Ltd, Colonial First State Asset Management (Australia) Limited, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Ltd, SI Holdings Limited, First State Investment Management (UK) Limited, First State Investments International Limited, Capital 121 Pty Limited, Colonial First State Investments Limited, Realindex Investments Pty Limited, First State Investments (Bermuda) Limited, First State Investments Holdings (Singapore) Limited and First State Investments (Singapore), each a wholly owned subsidiary of Colonial Holding Company Limited).
3. The Capital Group Companies, Inc. is deemed interested in 30,855,500 shares, through the shares held by its wholly owned subsidiary, Capital Research and Management Company.
4. The interests held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)	Number of shares (Lending pool)
Beneficial owner	12,331,949	10,687,006	-
Investment manager	375,623	-	-
Custodian corporation/approved lending agent	10,431,058	-	10,431,058

Save as disclosed above, as at 30 June 2016, 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.

OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2016.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made of all directors, and save as hereinafter provided, the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2016.

On 18 and 24 March 2016 respectively, and in accordance with rule B.8 of the Model Code, Mr. Arthur H. del Prado (“Mr. Del Prado”) notified Mr. Robin Gerard Ng Cher Tat, the director designated by the Board of Directors (the “Board”) of the Company for the specific purpose (the “Designated Director”), of his intention to sell up to 6,550,000 shares and 2,231,000 shares of the Company. The requisite dated written acknowledgement of such notices and clearance to deal with such shares were duly obtained by Mr. Del Prado from the Designated Director. By a letter dated 12 May 2016 from Mr. Del Prado, the Board was informed by him that he did not manage to sell all 2,231,000 shares before the blackout period, that is, the period from the end of the first quarter of 2016 up to the publication date of the first quarter results, which period commenced on 1 April, 2016. The Board was further informed by Mr. Del Prado that as at 1 April 2016, he still had 1,369,000 shares out of the 2,231,000 shares remaining unsold, and that due to oversight, he sold the remaining 1,369,000 shares (the “Disposal”) after the end of blackout period without further notifying and obtaining the requisite dated written acknowledgement and clearance to deal from the Designated Director as required by the Model Code. Mr. Del Prado has confirmed to the Board that he did not possess any inside information at the time of the Disposal.

The Board has looked into the matter. The Designated Director has confirmed that had Mr. Del Prado made the requisite notification in respect of the Disposal, clearance to deal would have been given. Given the circumstances as known to the Board at the material time, the Board believes that Mr. Del Prado did not possess any inside information at the time of the Disposal. All directors have been reminded to vigilantly observe their obligations under the Model Code to ensure strict compliance. The Company has also informed the Hong Kong Stock Exchange of the non-compliance of the Model Code as requested made by Mr. Del Prado.

OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

The Audit Committee comprises 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 2016 in conjunction with the Company's external auditor.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that a professional trustee of the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on the Exchange a total of 332,400 shares in the Company. The cost of purchase of these shares is about HK\$22 million.

CLOSURES OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 August 2016 to 19 August 2016, both days inclusive, during which period no share transfers can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant shares certificates, must be lodged with Company's Share Registrars, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 16 August 2016. The interim dividend will be paid on or about 29 August 2016.

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This interim report is printed on environmental paper
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