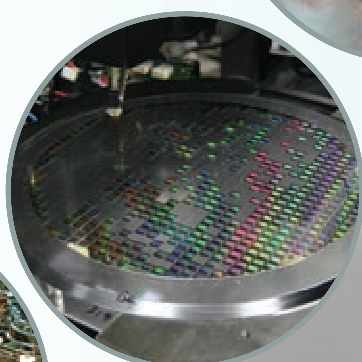
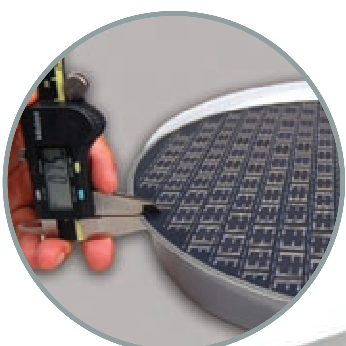
ASM

ASM PACIFIC TECHNOLOGY LIMITED

(Stock Code 股份代號 : 0522)

2008 INTERIM REPORT 中期報告





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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

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

Non-executive Director:

Arnold J.M. van der Ven

Independent Non-executive Directors:

Orasa Livasiri
Lee Shiu Hung, Robert
Lok Kam Chong, John

PRINCIPAL BANKERS

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

AUDITOR

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

SECRETARY

So Sau Ming

REGISTERED OFFICE

Caledonian House
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND BRANCH REGISTER OFFICE

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

CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") reported a turnover of HK$2,927 million for the six months ended 30 June 2008, representing an increase of 23.3% as compared with HK$2,374 million for the same period last year and a 3.0% decrease when compared with the record turnover of HK$3,019 million for the preceding six-month period. The Group's consolidated profit after taxation for the six months is HK$675 million which is 23.5% higher than the corresponding period in 2007 and 6.7% lower than the record set in the preceding six-month period. Basic earnings per share (EPS) for the half-year period amounted to HK$1.73 (first half of 2007: HK$1.41, second half of 2007: HK$1.85).

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$0.90 (2007: HK$0.70) and a special dividend of HK$0.50 (2007: HK$0.60) 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. Having established its leadership position in the microelectronics market over the years, ASM intends to further its organic growth path in the near term not only by enlarging market share with its high-performance, diversified products but also by moving into untapped market space that provides the opportunity for highly profitable growth. There is no short term need for major cash outlay for the Group.

REVIEW

The dismal macroeconomic conditions which were experienced in the past year do not seem to have improved, and may even have worsened. There is still no end in sight for the credit crunch brought about by the US sub-prime mortgage crisis. Oil prices continue to set new records against the background of strong global energy demands and the risks to oil supplies from major oil-producing countries. Meanwhile, the situation is further aggravated by high rates of inflation and rising food prices.

Amidst the pervasive gloom and uncertainty hanging over the world economy, the management is pleased to have presided over very robust growth for the Company during the last two quarters. In 2008, our first quarter growth was uncharacteristically strong in comparison with our traditional first quarter earnings. In the second quarter of 2008, the Company has done even better, achieving record turnover for the Group, as well as for our Equipment and Leadframe product segments. Notably, the improvement in the second quarter represents strong double-digit growth over the first quarter of this year. The results in the first six months of 2008 are significantly better than in the corresponding first six months of 2007, although there is a small single digit percentage decline as compared to the record second-half turnover of 2007.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

In the first half of 2008, we noticed that although some major subcontractors were conservative in their capital expenditure, this was more than compensated for by IDMs and other subcontractors which continued to expand their production capacity.

Thus, our order inflows and billings for both Equipment and Leadframe have shown solid increases going into the second quarter. We saw improved performance across all our major product lines. We achieved a Group turnover of US$376 million and a profit of HK$675 million during the past six months, reflecting further gains in market share and demonstrating our capability to adapt and to respond quickly to changes in market conditions. Return on capital employed and on sales was 25% and 26.1% respectively for the six-month period.

During the same period, our book to bill ratio, representing net bookings over billings, was 1.02. Despite achieving record shipments in the second quarter, our ending order backlog as of 30 June 2008 was in excess of US$156 million (US$150 million as of 31 December 2007 and US$156 million as of 31 March 2008). Our book to bill ratio for the second quarter was 1.0, mainly as a result of our strong order inflows vis-à-vis the high billings which we achieved in the second quarter. New order booking in the second quarter of 2008 was US$207 million, a sequential increase of 17.5% over Q1 2008. This level of order inflows is only 0.8% below the record which we attained in the last quarter of 2007.

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 2008, sales attributable to our five largest customers combined were 17.9% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy. We also enjoyed a good geographical spread mirroring the investment trends in the industry, with Mainland China maintaining its top position, increasing its share from 33.8% a year earlier to 36.0% now. Mainland China is followed by Taiwan (19.5%) and Malaysia (13.0%). Their relative market positions have remained unchanged over the past few years. The diversified product and geographic portfolio continue to be one of ASM's strengths. The Group's stellar 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 97 customers.

During the first six months of 2008, Equipment revenues were US$296 million, equivalent to 78.8% of the Group's turnover, an increase of 20.3% and a decrease of 3.6% over the first and second six months period in 2007 respectively. Equipment revenue achieved a new record of US$164 million in the second quarter of 2008, representing an increase of 25.2% over the preceding quarter and 11.5% over same period last year.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

With improved market demand, gain in market share and the expanded production capacity in our China and Malaysian plants, our Leadframe business achieved revenues of US$80 million, representing 21.2% of the Group's turnover during the first half of 2008, an increase of 36.0% and a decrease of 0.9% over the first and second half of 2007 respectively. Our Leadframe business achieved a new record turnover of US$42 million in the second quarter of 2008, representing an increase of 11.3% over the preceding quarter and 24.8% over same period last year. Clearly the strategic realignment of our Leadframe operations has yielded dividends.

During the first half of 2008, we are also starting to see the positive results of the major investments which we have made in our Back End Products (BEP) business group. In particular, market acceptance of our encapsulation machines and test-handlers are at unprecedented high levels. In time to come, we hope to see our BEP business group emulating the recent success of our Leadframe business and becoming one of our main revenue contributors and a leading pillar for supporting the Company's future business growth.

There have been no major investments to expand our production capacity in the first half of 2008. Therefore, the above record sales have primarily been supported by the investments which we have made in the preceding years, which are now bearing fruit. Our continued strong progress as evidenced by yet another set of records demonstrates that our internal growth strategy remains acutely relevant to the Company and continues to work in our favour. Satisfying the diverse demands of today's package types and applications comes at a price, and that price is the requirement for multiple platforms in almost any assembly process, such as our gold wire bonder, die bonder, aluminum wire bonder, flip chip bonder, LED die sorter, encapsulation system, package singulation system and test handler products. While it is essential that we provide short delivery times to our customers for standard products, the combined effect of a wider range of products, higher production run-rates, multiple platforms and new product introductions led to higher work-in-process and raw materials inventories as compared with six months ago. With more pipeline materials to address customer orders, our ending inventory as of 30 June 2008 increased to HK$1,080 million (HK$912 million as of 31 December 2007), with an annualized inventory turn of 5.9 times (2007: 6.5 times).

With our diligent collection efforts, days sales-outstanding was improved slightly to 80 days from 81 days in 2007. Our sound working capital management has resulted in a free cash flow of HK$409 million and a return on invested capital of 28.4% during the past six months.

After paying last year's final and second special dividends totaling HK$586 million in April and funding capital investments of HK$108 million in the first half of 2008, cash on hand as of 30 June 2008 was HK$703 million, which was HK$75 million lower than six months ago mainly due to the increase in working capital to cope with the strong order inflows. Our current ratio stands at 2.66, with zero long-term debt or bank borrowing, and a debt-equity ratio of only 39.8%. With no short-term needs and an on-going positive cash flow from organic growth operations, these figures permit ASM's management to recommend a sustained high level of dividends to return the excessive cash holdings to our shareholders.

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECTS

The challenges faced by the world economy do not appear to have severely affected the semiconductor industry at this time. Major analysts have forecasted that the key end markets that drive demand for semiconductors will continue to be healthy for the rest of 2008. Sales of personal computers, the largest single market for semiconductors, continue to be strong, especially in emerging markets. Furthermore, the cell phone and microprocessor markets are predicted to grow. However, there is fear that the main weakness will be in the memory sector (especially DRAM), which continues to face price pressures and may bring down the overall growth rate of the semiconductor market.

Despite the positive forecasts, the current visibility continues to be poor, although we remain of the view that the longer-term prospects for the semiconductor industry will be bright. Although ASM has turned in yet another instance of record quarterly turnover, it does not necessarily indicate an improvement in the semiconductor industry as such. The potential volatility in 2008 is still high. If as feared, consumers are under financial pressure due to high oil prices, the housing downturn and tight credit, then consumer confidence and spending may decline. Weakness in demand for consumer devices may in turn trigger cutbacks in capital expenditure and increases the risk to growth in the semiconductor industry. Recently some analysts trimmed down their forecast for the semiconductor assembly and packaging equipment industry and predicted a decline of the market in the range of 15%-18% for 2008, followed by a rebound in 2009.

Nevertheless, our record performance in the second quarter is very encouraging. Given that our improvement in results has far outpaced any growth in the overall semiconductor industry, this indicates that ASM is likely to be gaining market share at the expense of its competitors. The strong new order backlog as of the end of the second quarter gives us additional dynamic impetus for continue solid performance for the remainder of 2008. This shows that, despite the above uncertainties, our multiple-application and multiple-product strategies continue to serve us well, allowing us to grow from strength to strength through both the good and bad times, whereas our major competitors are seeing declining or flat growth.

The launch of our technologically-advanced Eagle Xtreme™ gold wire bonder has been well-accepted by our customers. We aim to make production deliveries to customers in the second half of 2008.

Following the announcement of our intention to set up a third research and development (R&D) centre to supplement the existing R&D centres in Hong Kong and Singapore, we have decided to locate the R&D centre in Chengdu, which is situated in Sichuan province, China. The new R&D centre is expected to be operational within the second half of 2008. We anticipate that it will offer us further options for optimizing our valuable R&D resources and enhance our R&D capacity and capabilities in the coming years.

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECTS (Continued)

While we believe the uncertainty in market conditions will remain for some time and there is nothing much we can do as a company to change it, the best preparation is to make the Company as dynamic as possible. The winners in such an economic situation are those who can react fastest to changing marketing dynamics and those who have the necessary financial resources to last the potential winter. Over the years we have accumulated a wealth of technologies and gathered a vast pool of talent at ASM. Our track record of successfully executing ASM's customer-centric business strategy needs no elaboration. The broad customer base coming from various application markets, the diversified product offerings and the industry's most efficient cost structure are ASM's sustainable competitive advantages, and we intend that they will remain so into the future. Furthermore, ignoring short-term sales fluctuation in favour of long-term growth, ASM has consistently committed 10% of our Equipment sales to R&D – US$287 million in the past ten years and made substantial capital investments – US$268 million in the last decade – to position the Group advantageously in the global market. The battle for market share is an arduous struggle with no quarter given, and in general the outcome will favour companies with richer resources, both human and material. Given our strengths in these areas, it is management's belief that ASM will continue to outperform our industry peers and maintain our leading position in the foreseeable future.

Arthur H. del Prado
Chairman
31 July 2008

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 9 to 21 which comprises the condensed consolidated balance sheet of ASM Pacific Technology Limited as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement 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 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
31 July 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK$'000	HK$'000
Turnover	*3*	2,927,222	2,373,634
Cost of sales		(1,663,697)	(1,358,309)
Gross profit		1,263,525	1,015,325
Other income		13,342	16,648
Selling expenses		(238,418)	(192,453)
General and administrative expenses		(94,200)	(85,535)
Research and development expenses		(173,979)	(149,039)
Finance costs		(1)	(71)
Profit before taxation		770,269	604,875
Income tax expense	*5*	(95,677)	(58,475)
Profit for the period		674,592	546,400
Dividend paid	*6*	585,942	466,607
Dividend declared	*6*	546,879	505,491
Earnings per share	*7*		
– Basic		HK$1.73	HK$1.41
– Diluted		HK$1.72	HK$1.40

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	At 30 June 2008 (Unaudited) HK$'000	At 31 December 2007 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*8*	997,915	995,963
Prepaid lease payments		9,107	9,255
Deposit paid for acquisition of property, plant and equipment		38,636	31,401
Deferred tax assets		3,852	4,140
		1,049,510	1,040,759
Current assets			
Inventories		1,080,021	912,347
Trade and other receivables	*9*	1,470,316	1,328,748
Prepaid lease payments		520	514
Bank balances and cash		702,688	778,183
		3,253,545	3,019,792
Current liabilities			
Trade and other payables	*10*	980,744	921,580
Taxation		242,582	187,324
		1,223,326	1,108,904
Net current assets		2,030,219	1,910,888
		3,079,729	2,951,647
Capital and reserves			
Share capital	*11*	39,063	39,063
Dividend reserve		546,879	585,942
Other reserves		2,493,065	2,325,114
Equity attributable to equity holders of the Company		3,079,007	2,950,119
Non-current liabilities			
Deferred tax liabilities		722	1,528
		3,079,729	2,951,647

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 January 2007	38,884	211,886	–	155	72,979	(68,750)	1,840,313	466,607	2,562,074
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	8,352	–	–	8,352
Profit for the year	–	–	–	–	–	–	1,269,497	–	1,269,497
Total recognised income for the year	–	–	–	–	–	8,352	1,269,497	–	1,277,849
Sub-total	38,884	211,886	–	155	72,979	(60,398)	3,109,810	466,607	3,839,923
Recognition of equity-settled share based payments	–	–	82,294	–	–	–	–	–	82,294
Shares issued under the Employee Share Incentive Scheme	179	82,115	(82,294)	–	–	–	–	–	–
2006 final and second special dividend paid	–	–	–	–	–	–	–	(466,607)	(466,607)
2007 interim and first special dividend paid	–	–	–	–	–	–	–	(505,491)	(505,491)
2007 interim dividend declared	–	–	–	–	–	–	(272,188)	272,188	–
2007 first special dividend declared	–	–	–	–	–	–	(233,303)	233,303	–
2007 second special dividend proposed	–	–	–	–	–	–	(156,251)	156,251	–
2007 final dividend proposed	–	–	–	–	–	–	(429,691)	429,691	–
At 31 December 2007 and 1 January 2008	39,063	294,001	–	155	72,979	(60,398)	2,018,377	585,942	2,950,119
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	2,909	–	–	2,909
Profit for the period	–	–	–	–	–	–	674,592	–	674,592
Total recognised income for the period	–	–	–	–	–	2,909	674,592	–	677,501
Sub-total	39,063	294,001	–	155	72,979	(57,489)	2,692,969	585,942	3,627,620
Recognition of equity-settled share based payments	–	–	37,329	–	–	–	–	–	37,329
2007 final and second special dividend paid	–	–	–	–	–	–	–	(585,942)	(585,942)
2008 interim dividend declared	–	–	–	–	–	–	(351,565)	351,565	–
2008 first special dividend declared	–	–	–	–	–	–	(195,314)	195,314	–
At 30 June 2008	39,063	294,001	37,329	155	72,979	(57,489)	2,146,090	546,879	3,079,007
At 1 January 2007	38,884	211,886	–	155	72,979	(68,750)	1,840,313	466,607	2,562,074
Exchange differences on translation of foreign operations recognised directly in equity	–	–	–	–	–	10,385	–	–	10,385
Profit for the period	–	–	–	–	–	–	546,400	–	546,400
Total recognised income for the period	–	–	–	–	–	10,385	546,400	–	556,785
Sub-total	38,884	211,886	–	155	72,979	(58,365)	2,386,713	466,607	3,118,859
Recognition of equity-settled share based payments	–	–	33,719	–	–	–	–	–	33,719
2006 final and second special dividend paid	–	–	–	–	–	–	–	(466,607)	(466,607)
2007 interim dividend declared	–	–	–	–	–	–	(272,188)	272,188	–
2007 first special dividend declared	–	–	–	–	–	–	(233,303)	233,303	–
At 30 June 2007	38,884	211,886	33,719	155	72,979	(58,365)	1,881,222	505,491	2,685,971

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from operating activities	614,310	441,674
Net cash used in investing activities		
Purchase of property, plant and equipment	(107,702)	(176,639)
Other investing cash flows	629	(2,548)
	(107,073)	(179,187)
Net cash used in financing activities		
Dividend paid	(585,942)	(466,607)
Other financing cash flows	–	(5,418)
	(585,942)	(472,025)
Net decrease in cash and cash equivalents	(78,705)	(209,538)
Cash and cash equivalents at beginning of the period	778,183	914,681
Effect of foreign exchange rate changes	3,210	845
Cash and cash equivalents at end of the period	702,688	705,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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 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 2007.

In the current interim period, the Group has applied, for the first time some 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 2008. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS"s) and Hong Kong Financial Reporting Standards ("HKFRS"s) or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC)* – INT 13	Customer loyalty programmes[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 July 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments.

Business segments

	Six months ended 30 June	
	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Turnover		
Equipment	2,306,041	1,917,021
Leadframe	621,181	456,613
	2,927,222	2,373,634
Result		
Equipment	709,536	562,514
Leadframe	53,369	26,475
	762,905	588,989
Interest income	7,365	15,957
Finance costs	(1)	(71)
Profit before taxation	770,269	604,875
Income tax expense	(95,677)	(58,475)
Profit for the period	674,592	546,400

Geographical segments by location of market

	Turnover Six months ended 30 June	
	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Mainland China	1,053,617	803,096
Taiwan	570,455	502,709
Malaysia	379,382	297,193
Hong Kong	190,137	160,436
Korea	162,908	188,739
Thailand	132,346	131,565
Philippines	120,959	86,716
United States of America and Latin America	92,592	68,690
Japan	85,202	33,014
Singapore	67,599	46,589
Europe	50,001	41,917
Indonesia	13,615	10,260
Others	8,409	2,710
	2,927,222	2,373,634

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

4. DEPRECIATION

During the period, depreciation of HK$108.0 million (HK$93.0 million for the six months ended 30 June 2007) was charged to profit or loss in respect of the Group's property, plant and equipment.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
The charge comprises:		
Hong Kong Profits Tax	86,001	55,352
Taxation in other jurisdictions	10,364	5,007
	96,365	60,359
Deferred taxation		
– current period	(740)	(1,884)
– attributable to a change in tax rate	52	–
	(688)	(1,884)
	95,677	58,475

Hong Kong Profits Tax has been calculated at 16.5% (17.5% for the six months ended 30 June 2007) of the estimated assessable profit for the period.

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 credit mainly related to the tax effect of temporary differences attributable to the difference of depreciation allowances for tax purposes and depreciation charged in the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2008

5. INCOME TAX EXPENSE (Continued)

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the period ended 30 June 2008 seeking information relating to Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiry might lead to additional tax being charged on profits from some overseas subsidiaries that have not previously been included in the scope of charge for Hong Kong Profits Tax. The Group purchased tax reserve certificates amounting to HK$73,000,000.

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

6. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividend paid during the period		
Final dividend paid for 2007 of HK$1.10 (2006: HK$1.00) per share on 390,628,000 (2006: 388,839,000) shares	**429,691**	388,839
Second special dividend paid for 2007 of HK$0.40 (2006: HK$0.20) per share on 390,628,000 (2006: 388,839,000) shares	**156,251**	77,768
	585,942	466,607
Dividend declared after the period end		
Interim dividend of HK$0.90 (2007: HK$0.70) per share on 390,628,000 (2007: 388,839,000) shares declared	**351,565**	272,188
First special dividend of HK$0.50 (2007: HK$0.60) per share on 390,628,000 (2007: 388,839,000) shares declared	**195,314**	233,303
	546,879	505,491

The dividends will be paid to the shareholders of the Company whose names appear on the Register of Members on 21 August 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Earnings for the purposes of basic and diluted earnings per share	**674,592**	546,400

	Number of Shares (in thousand)	
Weighted average number of shares for the purposes of basic earnings per share	**390,628**	388,839
Effect of dilutive potential shares from the Employee Share Incentive Scheme	**588**	539
Weighted average number of shares for the purposes of diluted earnings per share	**391,216**	389,378

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$107.7 million (HK$176.6 million for the six months ended 30 June 2007) on the acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Trade receivables	**1,285,206**	1,199,619
Other receivables, deposits and prepayments	**112,110**	82,129
Tax reserve certificate recoverable	**73,000**	47,000
	1,470,316	1,328,748

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

9. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Not yet due	784,361	779,057
Overdue within 30 days	259,378	212,449
Overdue within 31 to 60 days	131,972	90,183
Overdue within 61 to 90 days	37,159	60,976
Overdue over 90 days	72,336	56,954
	1,285,206	1,199,619

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

10. TRADE AND OTHER PAYABLES

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Trade payables	599,195	564,210
Other payables and accrued charges	381,250	356,661
Amounts due to ASM International N.V. group companies – trade *(Note)*	299	709
	980,744	921,580

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

10. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Not yet due	325,786	381,608
Overdue within 30 days	144,406	147,105
Overdue within 31 to 60 days	119,988	32,360
Overdue within 61 to 90 days	5,915	2,667
Overdue over 90 days	3,100	470
	599,195	564,210

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

11. SHARE CAPITAL

	Six months ended 30 June 2008 (Unaudited) HK$'000	Year ended 31 December 2007 (Audited) HK$'000
Issued and fully paid:		
Shares of HK$0.10 each		
At the beginning of the period/year	39,063	38,884
Shares issued under the Employee Share Incentive Scheme	–	179
At the end of the period/year	39,063	39,063

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

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 2007) to ASM International under a consultancy agreement between ASM International and the Company. Pursuant to the original consultancy agreement, an annual management fee of HK$1.5 million should be payable to ASM International which acts as a consultant, introduces new business and provides assistance in business development, general management support and services, international expertise and market information to the Group. The annual management fee was revised to HK$750,000 effective from 1 January 2006. The consultancy agreement, which commenced on 5 December 1988, was for an initial period of three years and is terminable thereafter by six months' notice in writing by either party.

(b) Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK$24,570,000 (HK$21,035,000 for the six months ended 30 June 2007).

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 December 1989, 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 estimated fair value of such shares included in the above emoluments amounted to HK$8,160,000 (HK$5,891,000 for the six months ended 30 June 2007).

13. CONTINGENT LIABILITIES

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Guarantees given to the Singapore government for working permits of foreign workers in Singapore	457	325

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2008

14. CAPITAL COMMITMENTS

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	66,503	62,536
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	130,308	243,693
	196,811	306,229

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 2008 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of shareholding in the Company
Arthur H. del Prado *(Note 1)*	Beneficial Owner	207,427,500	53.10%
Lee Wai Kwong *(Note 2)*	Beneficial Owner	392,000	0.10%
Chow Chuen *(Note 3)*	Beneficial Owner	186,000	0.05%
Lo Tsan Yin, Peter *(Note 4)*	Beneficial Owner	252,000	0.06%
Tang Koon Hung, Eric *(Note 5)*	Beneficial Owner	100,000	0.03%

(b) Share options of ASM International:

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2008 and at 30 June 2008
Arthur H. del Prado	19.5.2006	19.5.2009 – 19.5.2014	EURO14.08	100,856
	23.5.2007	23.5.2010 – 23.5.2015	EURO19.47	60,441
Arnold J.M. van der Ven	15.5.2005	15.5.2008 – 15.5.2013	EURO11.18	30,000
	2.1.2006	2.1.2009 – 2.1.2014	EURO14.13	20,000
	19.5.2006	19.5.2009 – 19.5.2014	EURO14.08	15,680
	23.5.2007	23.5.2010 – 23.5.2015	EURO19.47	21,917

Notes:

1. As regards Mr. del Prado:

   (a) he himself, a member of his immediate family and a foundation controlled by him together held about 15.05% shareholding which carry voting power (represented by 11,476,878 common shares) in the issued share capital in ASM International. ASM International is a controlling shareholder of the Company, holding as to approximately 53.10% of the entire share capital of the Company through its wholly-owned subsidiary, namely, ASM Pacific Holding B.V., which holds 207,427,500 Shares, and Mr. del Prado deemed or taken to be so interested accordingly; and

   (b) ASM International also holds the fixed-rate participating shares of ASM Assembly Automation Limited, ASM Assembly Materials Limited and ASM Asia Limited which are wholly-owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions (Continued)

Notes: (Continued)

2. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), 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 27 February 2008 until 15 December 2008 (both days inclusive) ("Vesting period") whereby the Company has agreed on 27 February 2008 to allocate to Mr. Lee an entitlement of 110,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Lee. Mr. Lee's interest of 392,000 Shares includes the above-mentioned entitlement of 110,000 Shares.

3. Pursuant to the Scheme, the Company has also agreed on 27 February 2008 to allocate to Mr. Chow an entitlement of 78,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Chow. Mr. Chow's interest of 186,000 Shares includes the above-mentioned entitlement of 78,000 Shares.

4. As at 30 June 2008, Mr. Lo beneficially owns 2,500 shares of ASM International and pursuant to the Scheme, the Company has also agreed on 27 February 2008 to allocate to Mr. Lo an entitlement of 96,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Lo. Mr. Lo's interest of 252,000 Shares includes the above-mentioned entitlement of 96,000 Shares.

5. Pursuant to the Scheme, the Company has also agreed on 27 February 2008 to allocate to Mr. Tang an entitlement of 50,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Tang. Mr. Tang's interest of 100,000 Shares includes the above-mentioned entitlement of 50,000 Shares.

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 2008, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following persons (other than a Director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of shares held/ Percentage of shareholding in the Company			
Name of shareholder	Capacity	Long positions	%	Lending pool	%
ASM International	Interest of a controlled corporation	207,427,500	53.10	–	–
ASM Pacific Holding B.V.	Beneficial owner	207,427,500	53.10	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	31,508,620	8.06	–	–

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at 30 June 2008, 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 2008 except for the following deviation:

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.

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 2008 in conjunction with the Company's external auditors.

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 18 August 2008 to 21 August 2008, both days inclusive. In order to qualify for the interim and special 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 15 August 2008. The interim and special dividend will be paid on or about 28 August 2008.

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Subsidiaries

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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

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