



ASM Pacific Technology Limited

(STOCK CODE 股份代號: 0522)

INTERIM REPORT 2013 中期報告



ASM *Technology Partner of Choice*
全面技術方案·客戶理想伙伴

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Arthur H. del Prado, *Chairman*
Lee Wai Kwong
Chow Chuen, James
Robin Gerard Ng Cher Tat

Non-executive Directors:

Charles Dean del Prado
Petrus Antonius Maria van Bommel

Independent Non-executive Directors:

Orasa Livasiri
Lok Kam Chong, John
Wong Hon Yee
Tang Koon Hung, Eric

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

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
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COMPANY WEBSITE AND CONTACT

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FINANCIAL HIGHLIGHTS

ASMPT NET PROFITS SURGED 28 TIMES OVER THE FIRST QUARTER

Second Quarter of 2013

- Group turnover of US\$367.1 million, a significant increase of 34.1% over the preceding quarter and a decline of 2.6% against the same period last year
- Net profit of HK\$230.3 million, which is 29 times the profit for the preceding quarter and a decline of 25.7% against the same period last year
- Earnings per share of HK\$0.58 for the second quarter 2013
- All three business segments registered improvement in profits against the preceding quarter
- Back-end equipment turnover of US\$192.2 million, representing a surge of 57.5% over the preceding three months and a decline of 7.3% against the same period last year
- Lead frame turnover of US\$61.5 million, achieving a significant increase of 32.3% against the preceding three months and an increase of 1.1% over the same period last year
- SMT equipment turnover of US\$113.4 million, an increase of 7.7% and 4.2% against the preceding three months and the same period last year, respectively
- New order bookings of US\$419 million, a significant increase of 36.4% over the preceding quarter
- Cash on hand of HK\$948.6 million as of 30 June 2013

First Half of 2013

- Group turnover of US\$641.2 million, a decline of 3.3% and 6.4% over the first and second six-month period of last year, respectively
- Net profit of HK\$238.3 million, representing a contraction of 50.7% as compared to the first six-month period of 2012 and an increase of 16.0% as compared to the second six-month period of 2012
- Earnings per share of HK\$0.60 for the first half of 2013
- Back-end equipment turnover of US\$314.3 million, representing a decline of 8.8% over the first six-month period of last year and an increase of 3.8% over the second six-month period of last year
- Lead frame turnover of US\$108.1 million, an increase of 3.6% and 0.2% over the first and second six-month periods of last year
- SMT equipment turnover of US\$218.8 million, an increase of 2.2% against the first six-month period of 2012 and a decline of 20.2% against the second six-month period of 2012
- New order bookings of US\$725.5 million, an increase of 42.2% over the preceding six-month period
- Order backlog stood at US\$348.4 million as of 30 June 2013

FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	2,850,162	2,926,532	4,975,678	5,145,291
Cost of sales	(1,950,737)	(1,900,209)	(3,531,168)	(3,445,045)
Gross profit	899,425	1,026,323	1,444,510	1,700,246
Other income	7,681	1,981	8,840	5,872
Selling and distribution expenses	(234,091)	(261,337)	(440,126)	(448,223)
General and administrative expenses	(128,034)	(126,303)	(241,371)	(212,534)
Research and development expenses	(241,485)	(232,863)	(453,150)	(434,319)
Other gains and losses	11,259	(4,318)	22,072	1,394
Finance costs	(4,568)	(710)	(9,540)	(3,014)
Profit before taxation	310,187	402,773	331,235	609,422
Income tax expense	(79,863)	(92,759)	(92,959)	(125,816)
Profit for the period, attributable to owners of the Company	230,324	310,014	238,276	483,606
Other comprehensive income (expense)				
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	37,997	(113,445)	(10,932)	(51,879)
Total comprehensive income for the period, attributable to owners of the Company	268,321	196,569	227,344	431,727
Earnings per share				
– Basic	HK\$0.58	HK\$0.78	HK\$0.60	HK\$1.22
– Diluted	HK\$0.58	HK\$0.78	HK\$0.60	HK\$1.22

CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved a turnover amounting to HK\$5.0 billion in the six months ended 30 June 2013, representing a decrease of 3.3% as compared with HK\$5.1 billion for the first six months of 2012 and a decline of 6.4% against the preceding six months. The Group's consolidated profit after taxation for the first six months of 2013 was HK\$238.3 million as compared to a profit of HK\$483.6 million in the corresponding period in 2012 and a profit of HK\$205.4 million in the preceding six months. Basic earnings per share (EPS) for the first six months of 2013 amounted to HK\$0.60 (first six months of 2012: HK\$1.22, second six months of 2012: HK\$0.51).

DIVIDEND

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK\$0.35 (2012: HK\$0.61) per share, payable to shareholders whose names appear on the register of members of the Company on 22 August 2013.

REVIEW

The market improvement seen in the first quarter has continued into the second quarter. On the back of the strength of the market, ASMPT has boosted its bookings, billings and net profits quarter-on-quarter. However, the overall market was still not as vibrant compared to the same period last year.

In particular, led by the performance of Back-end Equipment, Group billings in the second quarter of 2013 achieved strong quarterly growth. The strong performance of Back-end Equipment is followed by the performances of the Lead frames and Surface Mount Technology ("SMT") Equipment business segments.

During the past three months, we achieved Group billings of US\$367.1 million, representing an improvement of 34.1% over the first quarter of this year but a small decline of 2.6% from the same period a year ago.

Back-end Equipment revenue was at US\$192.2 million in the second quarter of 2013, representing a surge of 57.5% over the preceding quarter and a decrease of 7.3% from the same period last year. Back-end Equipment contributed to 52.3% of total billings for the Group.

Our Lead frame business achieved a turnover of US\$61.5 million in the second quarter of 2013, growing by 32.3% and 1.1% over the preceding three months and the same period a year ago, respectively. It contributed to 16.8% of total Group billings in the second quarter of 2013.

SMT Equipment attained US\$113.4 million in revenue in the second quarter of 2013, representing improvements of 7.7% and 4.2% as compared to the first quarter of this year and the same period in 2012, respectively. SMT Equipment contributed to 30.9% of total billings for the Group in the second quarter of 2013.

Net profit for the second quarter of 2013 was HK\$230.3 million, an increase of 2,796.4% over the preceding quarter and a decrease of 25.7% from the same period last year. Profitability of the Group has improved significantly, mainly due to higher production volumes and, to a lesser extent, our on-going cost control efforts.

During the second quarter, all our business segments experienced growth in revenue, profits and bookings as compared to the previous quarter.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

New order bookings in the second quarter of 2013 amounted to US\$418.6 million, surging by 36.4% as compared to the preceding quarter, although it is still 5.1% below the same quarter last year. The improvement in bookings in the second quarter of 2013 was seen clearly across the board, with all our major product segments benefitting.

Bookings for Back-end Equipment experienced very strong double-digit improvement over the previous quarter. Our bonders (which include die bonders, flip-chip bonders, wire bonders and thermal compression bonders ("TCB")) were the best performers in the last three months in terms of bookings, and they were followed by bookings for CMOS Imaging Sensor ("CIS") equipment. Correspondingly, bookings for packaging-related Back-end Equipment continued its moderate growth over the previous quarter. In terms of market segment, the integrated circuits ("IC") and discrete market showed the most improvement and it was followed by demand for LED and CIS equipment.

Admittedly, demand for Back-end Equipment in the past six months was overall not as strong as during the same period a year ago, particularly for the IC/discrete market segment. However, Back-end Equipment bookings in the second quarter of 2013 showed only a single digit contraction against the same period last year due to contributions from bookings for TCB, CIS and LED equipment. Our diversified product portfolio strategy once again enabled the Group to take on market challenges more effectively.

Quarterly new order bookings for Lead frames showed further moderate growth over the preceding quarter. Not unexpectedly, we did not experience the panic-buying which occurred during the corresponding quarter a year ago. Owing to this normalization, out of our three business segments, new order bookings for Lead frames experienced a relatively larger year-on-year decline. Still, bookings for Lead frames in the past quarter were actually at a fairly high level, reflecting the healthy activities of the semiconductor market as Lead frames are raw materials used in manufacturing by our customers.

New order bookings for SMT Equipment improved substantially in the second quarter as compared to the past few quarters, as a result of substantial contributions mainly from the China and Americas markets.

Our ending order backlog as of 30 June 2013 was US\$348.4 million, which was an increase of 19.4% as compared to the end of the first quarter of 2013. Our book to bill ratio, representing net bookings over billings, for the second quarter was 1.14.

Since market activities were not as vibrant during the first six months of 2013 as compared to the same period last year, our performance during this period was also affected. During the first six months of 2013, Group turnover was US\$641.2 million, representing decreases of 3.3% and 6.4% as compared to the first and second six-month periods of 2012, respectively.

Billings for Back-end Equipment during the past six months were US\$314.3 million, equivalent to 49.0% of the Group's turnover. It represents a decline of 8.8% as compared to the first six-month period of 2012 but an improvement of 3.8% as compared to the second six-month period of 2012. Our Lead frame billings were US\$108.1 million, achieving growths of 0.2% and 3.6% against the preceding six months and against the same period a year ago, respectively. This business segment contributed to 16.9% of the Group's turnover during the first half of 2013.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

During the first six months of 2013, SMT Equipment billings were US\$218.8 million, equivalent to 34.1% of the Group's turnover. Billings for SMT Equipment improved by 2.2% over the same period a year ago, and declined 20.2% as compared to the preceding six months. During the first six months of 2013, the SMT Equipment business contributed net profits of HK\$28.7 million to the Group, with an EBIT margin of 3.9% and a gross margin of 28.7%. We believe that we have achieved a solid market share gain in the SMT Equipment business during the past six months. The progress we have made in the Americas market is particularly encouraging.

During the first six months of 2013, net profit was HK\$238.3 million, decreasing by 50.7% and increasing by 16.0% as compared to the first and second six-month periods in 2012, respectively.

New order bookings for the first half of 2013 improved by 42.2% as compared to the preceding half year to US\$725.5 million, although it is 10.7% below the same period a year ago. New order bookings for all three of our business segments followed the same pattern as the Group bookings attained for the first and second halves of last year. During the past six months, our book to bill ratio was at 1.13.

By geographical distribution, China inclusive of Hong Kong (46.1%), Europe (12.5%), the Americas (11.2%), Malaysia (8.5%) and Taiwan (6.5%) have been the top five markets for ASMPT during the first half of 2013. We are very pleased with our progress in the Americas market, especially since both the Back-end and SMT Equipment businesses contributed to the improvement. We believe that, with our sterling efforts, we have emerged as the number one supplier in the SMT equipment market in the Americas during the first half of this year.

During the first half of 2013, sales attributable to our five largest customers combined were 14.3% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy. 80% of the Group's turnover in the first six-month period came from 167 customers. 5 out of the top 20 customers in the first half this year are from SMT Equipment business. During this period, purchases from integrated device manufacturers ("IDM") and discrete customers exceeded purchases from out-sourced assembly and test ("OSAT") customers.

Portable electronic products such as smart phones and tablet computers continued to be the key drivers for market demand in the first half year. Compared to previous years, we observed more activities from manufacturers of smart phones and tablet computers from outside the tier-1 players this time. The LED market is on a recovery path, especially in China in respect of general lighting applications.

The integration of the Surface Mount Technology ("SMT") Equipment business into our core activities continues to progress very well. The SMT industry had been in a prolonged downturn since the second half of 2011. Despite challenging market conditions, we have made sturdy progress in gaining market share, particularly in China and in the Americas market. We have successfully narrowed the gap with our leading peers. After years of preparation, our new generation of equipment is getting close to fruition to address both the high performance and main stream markets. In the next few quarters, we will be rolling out these new generation equipment, together with new equipment addressing adjacent markets in the SMT industry. We are aiming at offering our customers better value with our solutions. Our in-sourcing activities have started to make a bigger contribution to gross margin improvement of our SMT equipment business. So far we are on track to significantly increase the value of in-sourcing to our operations this year. We are getting ready to be in prime position to achieve significant improvement in both the top and bottom lines of our SMT equipment business when the market regains its vibrancy.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

During the past six months, ASMPT continued to invest in research and development, thereby maintaining a valuable competitive advantage which increasingly differentiates ASMPT from its peers. Mobile computing is bringing a plethora of changes to the semiconductor industry. Customers are looking for smaller, thinner, lower-cost and more power-efficient devices. They are also looking at integrating more functions into a device either through system on chip ("SOC") or system in package ("SIP"). 2.5D and 3D integration are drawing much more attention than in the past. During this evolution, semiconductor device manufacturers are increasingly looking for technology partners to collaborate with them to develop these new generation devices. ASMPT's breadth of knowledge in semiconductor packaging and surface mount technology and its depth in enabling technologies put ASMPT in a unique position to capture the opportunities brought about by the technology transition. In the first six months of this year, our intensive investment in the development of TCB technology started to bear fruit. TCB equipment has already contributed meaningfully to our revenue and we anticipate its contribution will increase significantly next year.

Research and development expenses for the period amounted to HK\$453.2 million, of which 43.4% was spent on the SMT Equipment business. As of 30 June 2013, the Group operates four research and development centers in Hong Kong, Chengdu, Singapore and Munich, with a total research and development work force of approximately 1,200 people.

Return on capital employed and on sales were 4.9% and 6.8% respectively for the six-month period.

LIQUIDITY AND FINANCIAL RESOURCES

Due to production ramp-up, our ending inventory as of 30 June 2013 increased to HK\$3.4 billion, as compared to HK\$2.9 billion as of 31 December 2012. Our annualized inventory turn was 3.19 times (first half of 2012: 3.58 times).

Days sales-outstanding increased to 92.9 days from 78.6 days in the second half of 2012. It was mainly due to the trend of an increasing shipment rate throughout the second quarter. Return on invested capital for the past six months was 4.2%.

Capital expenditure ("capex") in the first six months amounted to HK\$138.7 million which was fully funded by the depreciation and amortization of HK\$211.7 million for the same period. After paying last year's final dividend totaling HK\$119.8 million in May, funding capital investments and paying off some bank loans in the first half of 2013, cash on hand as of 30 June 2013 was HK\$948.6 million, which was HK\$538.4 million lower than six months ago. Our current ratio stands at 2.34, and we have a debt-equity ratio of 55.8%.

Bank borrowings are mainly arranged to support the day to day operations as well as to finance the second phase expansion of the Huizhou factory in China. These are denominated in Hong Kong dollars and US dollars. Cash holdings by the Group are mainly in US dollars, Euro, Chinese Yuan (RMB) and Hong Kong dollars. The SMT Equipment business unit of the Group enters into US dollars 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 are denominated in US dollars.

After carefully considering the near to mid-term cash flow need for the Company, the Board recommends a moderate dividend payout ratio, amounting to 58.6% of the net profits for the first half this year.

CHAIRMAN'S STATEMENT (CONTINUED)

HUMAN RESOURCES

As of 30 June 2013, the total headcount of the Group worldwide stood at approximately 16,000 people, including 348 temporary or short-term contract employees.

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

Total manpower costs for the first six months of 2013 were HK\$1,594.0 million, as compared to HK\$1,546.5 million for the same period last year. In March this year, the Board granted a total of 1,678,000 incentive shares to 1,029 employees, inclusive of four Executive Directors of the Company. The vesting period of these incentive shares is from 22 March to 16 December of this year.

PROSPECTS

Whilst the first half of this year was not as strong as that for the same period of last year, the subdued but solid progress that has been made suggests there is less likelihood that we will experience a sharp decline in the second half of this year.

In recent years, we have experienced sharp deteriorations in the market in the second half as compared to the first half of the year. Hopefully, this scenario will not be repeated this year. Generally, customers have been more optimistic about the second half of this year. Unless the market is derailed once again by adverse macroeconomic conditions, we expect the market momentum to continue into the second half of the year. The actual booking level in the third quarter will be a key factor for our performance in the second half of the year.

Perceived problems about the world economy appear to have softened recently. Encouraged by consumer demand for mobile devices such as tablet computers and smartphones, our customers have continued to purchase manufacturing equipment for expanding their production capacities during the second quarter. They appeared to have stepped up their capacity expansion efforts, likely expecting further recovery in the economy in 2013. Nonetheless, the booking trend in the second half of the year is difficult to predict due to macroeconomic uncertainties which persist.

We believe that consumer demand for automobiles, smart phones, portable computers and tablet PCs will still be the drivers of growth for the global semiconductor industry for the near future. Some market analysts are forecasting that market growth from the first half of the year to the second half of the year will be noticeably better than that seen occurring in the past few years. On the other hand, weaker GDP growth in the U.S., negative growth predicted among the Eurozone countries, which together account for about 43% of global GDP, and the seemingly slowdown of the China economy may serve to dampen growth somewhat during the remainder of this year. Despite the possibility of headwinds facing the industry, our overall view is that there are reasons for cautious optimism for the rest of 2013. We believe that versatility and being able to react swiftly to fast-changing market conditions will remain the key to being successful as we negotiate upcoming challenges that may surface.

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECTS (Continued)

Certain market segments appear to be doing better than others. In the LED market, our customers that are involved in the general lighting market continue to do well and move ahead of their peers. Specifically, it seems that the LED market in China is doing much better than in other countries.

We are confident that with the strong backlog that we have on hand, we can look forward to at least another quarter of solid performance in terms of both billings and profitability. Looking further ahead, we believe that we are well-poised to benefit from the recovery of the SMT and LED equipment market and from the technology transition to TCB.

Arthur H. del Prado

Chairman

24 July 2013

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 12 to 33, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 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 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 July 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	<i>Notes</i>	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	3	4,975,678	5,145,291
Cost of sales		<u>(3,531,168)</u>	<u>(3,445,045)</u>
Gross profit		1,444,510	1,700,246
Other income		8,840	5,872
Selling and distribution expenses		(440,126)	(448,223)
General and administrative expenses		(241,371)	(212,534)
Research and development expenses		(453,150)	(434,319)
Other gains and losses	5	22,072	1,394
Finance costs		<u>(9,540)</u>	<u>(3,014)</u>
Profit before taxation		331,235	609,422
Income tax expense	6	<u>(92,959)</u>	<u>(125,816)</u>
Profit for the period, attributable to owners of the Company		238,276	483,606
Other comprehensive income			
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss		<u>(10,932)</u>	<u>(51,879)</u>
Total comprehensive income for the period, attributable to owners of the Company		<u>227,344</u>	<u>431,727</u>
Earnings per share	8		
– Basic		<u>HK\$0.60</u>	<u>HK\$1.22</u>
– Diluted		<u>HK\$0.60</u>	<u>HK\$1.22</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>Notes</i>	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	2,038,183	2,105,615
Investment property	10	69,999	69,501
Intangible assets		10,310	15,213
Prepaid lease payments		27,443	27,794
Pledged bank deposit		202,954	204,520
Deposits paid for acquisition of property, plant and equipment		22,195	36,920
Rental deposits paid	11	13,474	13,549
Deferred tax assets		245,569	171,634
Other non-current assets		50,366	53,397
		<u>2,680,493</u>	<u>2,698,143</u>
Current assets			
Inventories		3,361,372	2,876,375
Trade and other receivables	11	3,427,546	3,155,458
Prepaid lease payments		988	997
Derivative financial instruments	12	3,240	1,479
Income tax recoverable		10,587	4,525
Bank balances and cash		948,628	1,487,003
		<u>7,752,361</u>	<u>7,525,837</u>
Current liabilities			
Trade and other payables	13	2,399,593	2,091,605
Derivative financial instruments	12	297	–
Provisions	14	301,094	320,638
Income tax payable		289,890	244,423
Bank borrowings	15	320,956	695,273
		<u>3,311,830</u>	<u>3,351,939</u>
Net current assets		<u>4,440,531</u>	<u>4,173,898</u>
		<u>7,121,024</u>	<u>6,872,041</u>
Capital and reserves			
Share capital	16	39,925	39,925
Dividend reserve	7	139,736	119,773
Other reserves		6,516,062	6,396,976
Equity attributable to owners of the Company		<u>6,695,723</u>	<u>6,556,674</u>
Non-current liabilities			
Retirement benefit obligations		102,448	91,410
Provisions	14	50,065	54,181
Bank borrowings	15	210,118	129,175
Deferred tax liabilities		28,834	8,811
Other liabilities and accruals	13	33,836	31,790
		<u>425,301</u>	<u>315,367</u>
		<u>7,121,024</u>	<u>6,872,041</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

	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 17)	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 2012 (audited)	39,764	665,329	-	-	155	72,979	(81,340)	5,250,798	318,110	6,265,795
Profit for the year	-	-	-	-	-	-	-	688,994	-	688,994
Actuarial losses on retirement benefit plans, net of tax	-	-	-	-	-	-	-	(40,160)	-	(40,160)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	42,617	-	-	42,617
Total comprehensive income for the year	-	-	-	-	-	-	42,617	648,834	-	691,451
Sub-total	39,764	665,329	-	-	155	72,979	(38,723)	5,899,632	318,110	6,957,246
Recognition of equity-settled share-based payments	-	-	197,132	-	-	-	-	-	-	197,132
Purchase of shares under the Employee Share Incentive Scheme	-	-	-	(37,035)	-	-	-	-	-	(37,035)
Shares vested under the Employee Share Incentive Scheme	-	-	(37,035)	37,035	-	-	-	-	-	-
Shares issued under the Employee Share Incentive Scheme	161	159,936	(160,097)	-	-	-	-	-	-	-
2011 final dividend paid	-	-	-	-	-	-	-	-	(318,110)	(318,110)
2012 interim dividend paid	-	-	-	-	-	-	-	(242,559)	-	(242,559)
2012 final dividend proposed	-	-	-	-	-	-	-	(119,773)	119,773	-
At 31 December 2012 and 1 January 2013 (audited)	39,925	825,265	-	-	155	72,979	(38,723)	5,537,300	119,773	6,556,674
Profit for the period	-	-	-	-	-	-	-	238,276	-	238,276
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(10,932)	-	-	(10,932)
Total comprehensive income for the period	-	-	-	-	-	-	(10,932)	238,276	-	227,344
Sub-total	39,925	825,265	-	-	155	72,979	(49,655)	5,775,576	119,773	6,784,018
Purchase of shares under the Employee Share Incentive Scheme	-	-	-	(22,822)	-	-	-	-	-	(22,822)
Recognition of equity-settled share-based payments	-	-	54,300	-	-	-	-	-	-	54,300
2012 final dividend paid	-	-	-	-	-	-	-	-	(119,773)	(119,773)
2013 interim dividend declared after end of interim period	-	-	-	-	-	-	-	(139,736)	139,736	-
At 30 June 2013 (unaudited)	39,925	825,265	54,300	(22,822)	155	72,979	(49,655)	5,635,840	139,736	6,695,723
At 1 January 2012 (audited)	39,764	665,329	-	-	155	72,979	(81,340)	5,250,798	318,110	6,265,795
Profit for the period	-	-	-	-	-	-	-	483,606	-	483,606
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(51,879)	-	-	(51,879)
Total comprehensive income for the period	-	-	-	-	-	-	(51,879)	483,606	-	431,727
Sub-total	39,764	665,329	-	-	155	72,979	(133,219)	5,734,404	318,110	6,697,522
Purchase of shares under the Employee Share Incentive Scheme	-	-	-	(37,035)	-	-	-	-	-	(37,035)
Recognition of equity-settled share-based payments	-	-	75,013	-	-	-	-	-	-	75,013
2011 final dividend paid	-	-	-	-	-	-	-	-	(318,110)	(318,110)
2012 interim dividend declared after end of interim period	-	-	-	-	-	-	-	(242,359)	242,359	-
At 30 June 2012 (unaudited)	39,764	665,329	75,013	(37,035)	155	72,979	(133,219)	5,492,045	242,359	6,417,390

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cash generated from operations	195,763	246,704
Income taxes paid	(107,930)	(362,793)
Net cash from (used in) operating activities	87,833	(116,089)
Net cash used in investing activities		
Purchase of property, plant and equipment	(184,510)	(245,189)
Deposits paid for acquisition of property, plant and equipment	(22,195)	(45,216)
Withdrawal of pledged bank deposits	–	2,051
Other investing cash flows	7,828	1,679
	(198,877)	(286,675)
Net cash (used in) from financing activities		
Dividends paid	(119,773)	(318,110)
Bank borrowings raised	193,923	500,148
Repayment of bank borrowings	(487,919)	(154,578)
Other financing cash flows	(9,462)	(1,001)
	(423,231)	26,459
Net decrease in cash and cash equivalents	(534,275)	(376,305)
Cash and cash equivalents at beginning of the period	1,487,003	1,627,662
Effect of foreign exchange rate changes	(4,100)	(19,620)
Cash and cash equivalents at end of the period, represented by bank balances and cash	948,628	1,231,737

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2012.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKAS 19 “Employee Benefits” (as revised in 2011)

In the current interim period, the Group has applied HKAS 19 “Employee Benefits” (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the condensed consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a ‘net-interest’ amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group has applied the amendments to HKAS 19 for the first time for year ending 31 December 2013. The directors of the Company are of the opinion that the application of these amendments has no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements of the Group.

The application of the other new and revised 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 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ²
HKFRS 9	Financial Instruments ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ²
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ²
HK(IFRIC) – Int 21	Levies ²

¹ Effective for annual periods beginning on or after 1 January 2015.

² Effective for annual periods beginning on or after 1 January 2014.

Save as disclosed in the annual report for the year ended 31 December 2012, the directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretation 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 (2012: three) operating segments: development, production and sales of (i) back-end equipment (formerly known as assembly and packaging equipment); (ii) surface mount technology equipment; and (iii) lead frame. 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 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 organised and managed around the three (2012: three) major types of products manufactured by the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)
Segment revenue and results

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Segment revenue from external customers		
Back-end equipment	2,438,945	2,673,515
Surface mount technology equipment	1,698,017	1,662,117
Lead frame	838,716	809,659
	<u>4,975,678</u>	<u>5,145,291</u>
Segment profit		
Back-end equipment	219,243	451,975
Surface mount technology equipment	60,070	149,247
Lead frame	58,358	32,974
	<u>337,671</u>	<u>634,196</u>
Interest income	1,691	5,178
Finance costs	(9,540)	(3,014)
Unallocated other income (expenses)	73	(3)
Unallocated net foreign exchange gain	24,165	406
Unallocated general and administrative expenses	(22,825)	(27,341)
	<u>331,235</u>	<u>609,422</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 2013

3. SEGMENT INFORMATION (Continued)

Geographical analysis of turnover by location of customers

	Turnover	
	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Mainland China	2,044,476	2,027,115
Europe	621,176	970,272
– Germany	280,407	557,359
– Romania	52,285	78,539
– Others	288,484	334,374
Americas	555,896	401,191
– United States of America	431,157	269,772
– Mexico	88,601	98,387
– Others	36,138	33,032
Malaysia	423,560	546,923
Taiwan	322,209	296,813
Korea	281,719	193,592
Hong Kong	251,200	117,777
Thailand	177,683	220,439
Philippines	145,333	124,551
Singapore	80,353	73,953
Others	72,073	172,665
	<u>4,975,678</u>	<u>5,145,291</u>

4. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation amounting to HK\$203.4 million (HK\$177.4 million for the six months ended 30 June 2012), HK\$0.7 million (HK\$0.4 million for the six months ended 30 June 2012) and HK\$5.6 million (HK\$7.5 million for the six months ended 30 June 2012) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

5. OTHER GAINS AND LOSSES

During the period, included in other gains and losses are net foreign exchange gains of HK\$24.2 million (HK\$0.4 million for the six months ended 30 June 2012).

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	18,704	18,652
PRC Enterprise Income Tax	66,461	30,314
Other jurisdictions	63,100	134,157
	<u>148,265</u>	<u>183,123</u>
Deferred tax credit:		
Current period	(55,306)	(57,307)
	<u>92,959</u>	<u>125,816</u>

Current tax:

- (a) Hong Kong Profits Tax is calculated at 16.5% (16.5% for the six months ended 30 June 2012) 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 2013 (25% for the six months ended 30 June 2012).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

6. INCOME TAX EXPENSE (Continued)

- (c) On 12 July 2010, the Singapore Economic Development Board (“EDB”) granted a Pioneer Certificate to ASM Technology Singapore Pte Limited (“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 2012).

- (d) The calculation of current tax of the Group’s subsidiaries in Germany is based on a corporate income tax rate of 15.00% plus 5.50% 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) rate was 17.00%. Thus the aggregate tax rate amounts to 32.825% (32.825% for the six months ended 30 June 2012).
- (e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 2013 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 2013, the Group purchased tax reserve certificates amounting to HK\$298.5 million (31 December 2012: HK\$234.9 million), as disclosed in note 11.

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 and the amounts paid under the tax reserve certificates are fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

7. DIVIDENDS

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Dividend recognised as distribution during the period		
Final dividend for 2012 paid of HK\$0.30 (2012: final dividend for 2011 paid of HK\$0.80) per share on 399,244,500 (2012: 397,637,100) shares	<u>119,773</u>	<u>318,110</u>
Dividend declared after the end of the interim reporting period		
Interim dividend for 2013 of HK\$0.35 (2012: HK\$0.61) per share on 399,244,500 (2012: 397,637,100) shares (<i>Note</i>)	<u>139,736</u>	<u>242,559</u>

Note: The dividend reserve as of 30 June 2012 presented in the condensed consolidated statement of changes in equity amounted to HK\$242,359,000 which is after elimination of HK\$200,000 for shares held for Share Award Scheme (*Note* 17).

The dividends declared after 30 June 2013 will be paid to the shareholders of the Company whose names appear on the Register of Members on 22 August 2013.

8. 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period)	<u>238,276</u>	<u>483,606</u>
	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	399,105	397,469
Effect of dilutive potential shares from the Employee Share Incentive Scheme	<u>338</u>	<u>417</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>399,443</u>	<u>397,886</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$137.9 million on the acquisition of property, plant and equipment (HK\$248.9 million for the six months ended 30 June 2012).

10. INVESTMENT PROPERTY

During the six months ended 30 June 2012, certain portion of the Group's research and development centre located in the PRC held under medium-term lease with a carrying value of HK\$67,225,000 were transferred from property, plant and equipment to investment property.

The Group's property interests held to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 30 June 2013 was HK\$112,986,000 (31 December 2012: HK\$110,997,000). The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and by reference to net rental income allowing for reversionary income potential using the applicable market yields for the respective locations and types of properties as the discount rates.

Investment property is depreciated over the shorter of the terms of the lease and 48 years on a straight-line basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Trade receivables (<i>Note a</i>)	2,555,132	2,269,154
Amount recoverable from Siemens AG (<i>Note b</i>)	206,810	208,179
VAT recoverable	226,024	329,755
Tax reserve certificate recoverable	298,529	234,929
Other receivables, deposits and prepayments	154,525	126,990
	<u>3,441,020</u>	<u>3,169,007</u>
Less: Non-current rental deposits paid shown under non-current assets	(13,474)	(13,549)
	<u>3,427,546</u>	<u>3,155,458</u>
An aging analysis of trade receivables presented based on the due date at the end of the reporting period is as follows:		
Not yet due (<i>Note a</i>)	2,009,159	1,721,565
Overdue within 30 days	306,025	218,882
Overdue within 31 to 60 days	96,578	111,407
Overdue within 61 to 90 days	41,230	57,453
Overdue over 90 days	102,140	159,847
	<u>2,555,132</u>	<u>2,269,154</u>

Notes:

- (a) The amount included notes receivables amounting to HK\$458,810,000 (31 December 2012: HK\$435,508,000).
- (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 the entire interest of 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 the 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 related tax liabilities are to be settled in the remaining six months of 2013.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

12. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2013		At 31 December 2012	
	Assets	Liabilities	Assets	Liabilities
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Foreign currency forward contracts	3,240	297	1,479	–

The foreign currency forward contracts were mainly related to the purchase of Euros and the sale of US dollars at contract rates ranging from US\$1.2823 to US\$1.3350 (31 December 2012: US\$1.2914 to US\$1.3186) per one Euro with future maturity dates ranging from 29 July 2013 to 19 December 2013 (31 December 2012: 29 January 2013 to 28 May 2013) at an aggregate notional amount of US\$39,600,000, equivalent to approximately HK\$307,225,000 (31 December 2012: US\$27,100,000, equivalent to approximately HK\$210,039,000).

The fair value of the above derivatives was determined by the discounted cash flow analysis using the applicable yield curve from quoted exchange rates for the duration of the instruments and were classified as Level 2 of the fair value hierarchy. There were no transfers between Level 1 and 2 in both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

13. TRADE AND OTHER PAYABLES

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Trade payables	1,365,764	941,938
Accrued salaries and wages	230,877	270,902
Other accrued charges	360,309	419,690
Deposits received from customers	346,566	288,092
Payables arising from acquisition of property, plant and equipment	59,482	143,437
Other payables	70,431	59,336
	<u>2,433,429</u>	<u>2,123,395</u>
Less: Non-current other liabilities and accruals	<u>(33,836)</u>	<u>(31,790)</u>
	<u>2,399,593</u>	<u>2,091,605</u>
An aging analysis of trade payables presented based on the due date at the end of reporting period is as follows:		
Not yet due	959,509	552,157
Overdue within 30 days	243,209	130,659
Overdue within 31 to 60 days	122,587	115,331
Overdue within 61 to 90 days	29,603	83,389
Overdue over 90 days	10,856	60,402
	<u>1,365,764</u>	<u>941,938</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

14. PROVISIONS

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

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Current	301,094	320,638
Non-current	50,065	54,181
	<u>351,159</u>	<u>374,819</u>

The Group's provisions mainly comprise warranties provision of HK\$342,126,000 (31 December 2012: HK\$362,349,000). The movement of the warranties provision is as follows:

	Warranties Provision HK\$'000
At 1 January 2012 (audited)	357,658
Currency realignment	4,975
Additions	251,391
Utilisation	(206,057)
Reversal	(45,618)
	<u>362,349</u>
At 31 December 2012 (audited)	362,349
Currency realignment	132
Additions	116,362
Utilisation	(119,077)
Reversal	(17,640)
	<u>342,126</u>
At 30 June 2013 (unaudited)	<u>342,126</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

15. BANK BORROWINGS

At 30 June 2013, all bank borrowings bear interest at London Interbank Offered Rate plus a margin per annum or Hong Kong Interbank Offered Rate plus a margin per annum, at a weighted average effective interest rate of 2.60% (31 December 2012: 1.89%) per annum. During the six months ended 30 June 2013, the Group obtained new bank borrowings in the amount of HK\$193,923,000 (six months ended 30 June 2012: HK\$500,148,000) and repaid bank borrowings of HK\$487,919,000 (six months ended 30 June 2012: HK\$154,578,000). The new bank borrowings bear interest at market rates and will be fully repaid within 31 months after the end of the reporting period.

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1 January 2012	397,637	39,764
Shares issued under the Employee Share Incentive Scheme	<u>1,607</u>	<u>161</u>
At 31 December 2012 and at 30 June 2013	<u>399,244</u>	<u>39,925</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

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

On 21 March 2012, the directors resolved to grant, and the Company granted, a total of 1,950,300 shares (“2012 Incentive 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. The vesting period of such grant, which is the qualification period, was from 21 March 2012 to 15 December 2012.

On 28 March 2012 (the “Adoption Date”), a share award scheme (the “Share Award Scheme”) was adopted by the Company to establish a trust to purchase shares of the Company for the benefit of employees and the directors of the Company and its subsidiaries under the Employee Share Incentive Scheme. The scheme is valid and effective for a period of 8 years commencing from the Adoption Date. Pursuant to the rules of the scheme, the Company has appointed a trustee, Law Debenture Trust (Asia) Limited, for the purpose of administering the scheme and holding the awarded shares. As a result of such Share Award Scheme, 328,000 shares (the “2012 Awarded Shares”) were allocated from the 2012 Incentive Shares as the 2012 Awarded Shares.

On 22 March 2013, the directors resolved to grant, and the Company granted, a total of 1,678,000 shares (“2013 Incentive 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. On the same date, 263,200 shares (“2013 Awarded Shares”) were allocated from the 2013 Incentive Shares as the 2013 Awarded Shares. The vesting period of such grant, which is the qualification period, was from 22 March 2013 to 16 December 2013.

The fair value of the 2012 Incentive Shares and 2013 Incentive Shares granted 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, while for the 2013 Awarded Shares, its fair value of HK\$22,822,000 (2012 Awarded Shares: HK\$37,035,000) was determined with reference to the cost of purchase from the market including transaction costs, which is not significantly different from the fair value at the grant date. The total amount charged to profit and loss during the period in respect of the fair value of the 2013 Incentive Shares and the 2013 Awarded Shares at the grant date amounted to HK\$54,300,000 (six months ended 30 June 2012: HK\$75,013,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

17. 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 Employee Share Incentive Scheme:

	Number of shares '000
Outstanding as at 1 January 2012	–
Shares granted on 21 March 2012	1,950
Allocated as 2012 Awarded Shares on 28 March 2012 (<i>Note</i>)	<u>(328)</u>
Outstanding as at 30 June 2012	1,622
Shares issued on 15 December 2012	(1,607)
Shares forfeited on 15 December 2012	<u>(15)</u>
Outstanding as at 31 December 2012 and 1 January 2013	–
Shares granted on 22 March 2013	1,678
Allocated as 2013 Awarded Shares on 22 March 2013 (<i>Note</i>)	<u>(263)</u>
Outstanding as at 30 June 2013	<u><u>1,415</u></u>

Note: Movement of Awarded Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK\$'000
At 1 January 2012	–	–
Shares purchased from market during the period	<u>328</u>	<u>37,035</u>
At 30 June 2012	328	37,035
Awarded Shares vested	<u>(328)</u>	<u>(37,035)</u>
At 31 December 2012 and 1 January 2013	–	–
Shares purchased from market during the period	<u>263</u>	<u>22,822</u>
At 30 June 2013	<u><u>263</u></u>	<u><u>22,822</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK\$27,553,000 (HK\$37,203,000 for the six months ended 30 June 2012).

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\$10,172,000 (HK\$16,086,000 for the six months ended 30 June 2012) for the six months ended 30 June 2013.

19. CONTINGENT LIABILITIES

The Group has contingent liabilities as follow:

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	<u>2,852</u>	<u>3,110</u>

In addition, a supplier raised a claim in 2009 against a group entity which was acquired by the Group during the year ended 31 December 2011. The management estimated the expected financial effect to be an amount of EUR2,500,000 (equivalent to HK\$25,369,000; HK\$25,565,000 at 31 December 2012) and the amount was recognised as a liability as of 30 June 2013 and 31 December 2012. The legal proceedings have not yet been finalised. However, the management believes that the accrued liabilities will be sufficient to meet the obligation under the claim. The Group is not aware of any other legal proceedings that would have an adverse or material impact on the Group's financial results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013

20. CAPITAL AND OTHER COMMITMENTS

	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted for	326,901	44,796
– contracted for but not provided in the condensed consolidated financial statements	79,181	107,606
Other commitment in respect of acquisition of land use right:		
– contracted for but not provided in the condensed consolidated financial statements	59,257	61,322
	<u>465,339</u>	<u>213,724</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 2013 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of shareholding in the Company
Lee Wai Kwong (<i>Note 1</i>)	Beneficial Owner	950,700	0.24%
Chow Chuen, James (<i>Note 2</i>)	Beneficial Owner	402,400	0.10%
Robin Gerard Ng Cher Tat (<i>Note 3</i>)	Beneficial Owner	57,000	0.01%
Tang Koon Hung, Eric	Beneficial Owner	13,000	0.003%

Notes:

- Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), on 22 March 2013 the Board of Directors resolved to allocate Share entitlements to the management and employees of the Company in respect of their services for the vesting period from 22 March 2013 until 16 December 2013 (both days inclusive) ("Vesting period") whereby the Company has agreed on 22 March 2013 to allocate to Mr. Lee an entitlement of 104,000 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 950,700 Shares includes this 104,000 Shares entitlement.
- Pursuant to the Scheme, on 22 March 2013 the Company agreed to allocate to Mr. Chow an entitlement of 62,400 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 402,400 Shares includes this 62,400 Shares entitlement.
- Pursuant to the Scheme, on 22 March 2013 the Company agreed to allocate to Mr. Ng an entitlement of 20,000 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 57,000 Shares includes this 20,000 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 2013, 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 2013, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Long positions		Lending pool	
		Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International N.V. <i>(Note 1)</i>	Interest of a controlled corporation	160,003,000	40.08%	–	–
ASM Pacific Holding B.V.	Beneficial owner	160,003,000	40.08%	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	56,200,320	14.08%	–	–
The Capital Group Companies, Inc. <i>(Note 2)</i>	Interest of controlled corporations	40,539,500	10.15%	–	–
Genesis Asset Managers, LLP	Investment manager	23,900,921	5.99%	–	–

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. The Capital Group Companies, Inc. is deemed interested in 40,539,500 Shares, comprised of the Shares held by two wholly-owned subsidiaries, namely Capital Research and Management Company and Capital Group International, Inc. (which is deemed interested in the Company through the Shares held by Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl, each a wholly owned subsidiary of Capital Group International, Inc.).

Save as disclosed above, as at 30 June 2013, 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 Corporate Governance Code and Corporate Governance Report (“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 2013.

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 confirmation has been obtained from all directors to confirm compliance with the Model Code during the six months ended 30 June 2013.

OTHER INFORMATION (CONTINUED)

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 2013 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 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the 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 263,200 shares in the Company. The cost of purchase of these shares is about HK\$23 million.

CLOSURES OF REGISTER OF MEMBERS

The Register of Members will be closed from 20 August 2013 to 22 August 2013, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00p.m. on 19 August 2013. The interim dividend will be paid on or about 29 August 2013.

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