



ASM Pacific Technology Limited

(STOCK CODE 股份代號:0522)

Mobility & Eco-friendliness



Empowered by **ASM**

INTERIM REPORT 2012 中期報告

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Arthur H. del Prado, *Chairman*
Lo Tsan Yin, Peter, *Vice 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
Lee Shiu Hung, Robert
Lok Kam Chong, John

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation
Limited
Standard Chartered Bank (Hong Kong) Limited
Citibank, N.A.
The Bank of Tokyo-Mitsubishi UFJ, Ltd

AUDITOR

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

SECRETARY

So Sau Ming

REGISTERED OFFICE

Caledonian House
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND BRANCH REGISTER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
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COMPANY WEBSITE AND CONTACT

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FINANCIAL HIGHLIGHTS

ASM ACHIEVED A STRONG REBOUND IN REVENUE AND EARNINGS

Second Quarter of 2012

- Group turnover of US\$377.1 million, a strong increase of 31.9% over the preceding quarter but a contraction of 26.3% against same period last year
- Net profit of HK\$310.0 million and earnings per share of HK\$0.78, representing an increase of 78.6% over the preceding quarter and a decline of 60.1% against same period last year
- Lead frame business returns to profitability
- Assembly and packaging equipment turnover of US\$207.3 million, representing a surge of 51.1% over the preceding three months and a contraction of 27.4% against same period last year
- Record Lead frame turnover of US\$60.9 million, achieving a surge of 40.1% against the preceding three months and a growth of 4.7% over same period last year
- SMT equipment turnover of US\$108.9 million, representing an increase of 3.5% against the preceding three months and a decline of 35.2% over same period last year
- New order bookings of US\$441 million, a sequential increase of 18.6% over the preceding quarter
- Cash on hand of HK\$1.23 billion at the end of June 2012

First Half of 2012

- Group turnover of US\$663.1 million, a decrease of 30.0% and 7.6% over the first and second six-month periods of last year
- Net profit of HK\$483.6 million and earnings per share of HK\$1.22, representing a contraction of 80.2% and 0.8% as compared to the first and second six-month periods of 2011
- Lead frame business returns to profitability
- Assembly and packaging equipment turnover of US\$344.7 million, representing a decrease of 35.4% and an increase of 11.8% over the first and second six-month periods of last year
- Lead frame turnover of US\$104.3 million, achieving increases of 0.7% and 14.1% over the first and second six-month periods of last year
- SMT equipment turnover of US\$214.1 million, representing decreases of 31.0% and 32.6% against the first and second six-month periods of 2011
- New order bookings of US\$812.8 million, an increase of 43.6% over the preceding six-month period
- Order backlog stood at US\$436.7 million as of 30 June 2012

FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
Turnover	2,926,532	3,971,146	5,145,291	7,348,618
Cost of sales	(1,900,209)	(2,469,863)	(3,445,045)	(4,671,949)
Gross profit	1,026,323	1,501,283	1,700,246	2,676,669
Other income	1,981	10,488	5,872	14,948
Selling and distribution expenses	(261,337)	(243,036)	(448,223)	(427,494)
General and administrative expenses	(126,303)	(105,979)	(212,534)	(195,555)
Research and development expenses	(232,863)	(219,291)	(434,319)	(413,283)
Other gains and losses	(4,318)	(7,451)	1,394	(31,596)
Gain from a bargain purchase	–	–	–	1,084,427
Finance costs	(710)	(1,062)	(3,014)	(1,901)
Profit before taxation	402,773	934,952	609,422	2,706,215
Income tax expense	(92,759)	(158,369)	(125,816)	(261,928)
Profit for the period, attributable to owners of the Company	310,014	776,583	483,606	2,444,287
Exchange differences on translation of foreign operations, representing other comprehensive (expense) income for the period	(113,445)	43,547	(51,879)	139,657
Total comprehensive income for the period, attributable to owners of the Company	196,569	820,130	431,727	2,583,944
Earnings per share				
– Basic	HK\$0.78	HK\$1.96	HK\$1.22	HK\$6.17
– Diluted	HK\$0.78	HK\$1.95	HK\$1.22	HK\$6.16

CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved a turnover amounting to HK\$5.1 billion in the six months ended 30 June 2012, representing a decrease of 30.0% as compared with HK\$7.3 billion for the first six months of 2011 and a decrease of 7.6% against the preceding six months. The Group's consolidated profit after taxation for the first six months of 2012 was HK\$483.6 million as compared to a profit of HK\$2,444.3 million in the corresponding period in 2011 and a profit of HK\$487.7 million in the preceding six months. Profits for the first six months of 2011 included a non-recurring one-time gain of HK\$1,084.4 million realized from the purchase of its SMT equipment business. Basic earnings per share (EPS) for the first six months of 2012 amounted to HK\$1.22 (first six months of 2011: HK\$6.17, second six months of 2011: HK\$1.23).

DIVIDEND

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK\$0.61 (2011: HK\$1.60) per share, payable to shareholders whose names appear on the register of members of the Company on 22 August 2012.

REVIEW

The semiconductor industry seemed to be well on its way to recovery in the second quarter of 2012. This can be inferred from our record Lead frames billings achieved during the period. Overall, our Group billings achieved strong double digit growth quarter-on-quarter, even though it was still lower than the then-record turnover amassed during the same period of last year.

Group turnover was at US\$377.1 million in the second quarter of 2012, representing a significant increase of 31.9% over the preceding quarter and a decline of 26.3% from the same period last year. During the first six months of 2012, Group turnover was US\$663.1 million, decreasing by 30.0% and 7.6% as compared to the first and second six-month periods of 2011, respectively. Group billings contracted against the preceding six months primarily due to the weakening in demand for SMT Equipment.

Net profit for the second quarter of 2012 was HK\$310.0 million, an increase of 78.6% over the preceding quarter and a decrease of 60.1% from the same period last year. During the first six months of 2012, net profit was HK\$483.6 million, decreasing by 80.2% and 0.8% as compared to the first and second six-month periods in 2011, respectively. Profits for the first six months of 2011 included a non-recurring one-time gain of HK\$1,084.4 million realized from the purchase of its SMT equipment business.

During the second quarter, all our business segments, including Assembly and Packaging Equipment, Lead frames and Surface Mount Technology ("SMT") Equipment experienced growth in revenue and bookings as compared to the previous quarter. Revenue from Assembly and Packaging Equipment achieved double-digit growth as compared to the second half of 2011. Also significant was the fact that quarterly revenue for Assembly and Packaging Equipment achieved a strong surge over the first quarter this year, although it constituted a double-digit decline as compared to the phenomenal performance last year during the same period. At the same time, quarterly Lead frame revenue was at a new record high.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

During the first six months of 2012, Assembly and Packaging Equipment revenues were US\$344.7 million, equivalent to 52.0% of the Group's turnover. It decreased by 35.4% as compared to the first six-month period of 2011 but increased by 11.8% as compared to the second six-month period of 2011. Assembly and Packaging Equipment revenue was at US\$207.3 million in the second quarter of 2012, representing an increase of 51.1% over the preceding quarter and a decrease of 27.4% from the same period last year.

Our Lead frame business achieved revenues of US\$104.3 million, which contributed 15.7% of the Group's turnover during the first half of 2012. This represents improvements of 0.7% and 14.1% respectively as compared to the first and second halves of 2011. Our Lead frame business achieved a turnover of US\$60.9 million in the second quarter of 2012, which is a new quarterly record, representing a double-digit increase of 40.1% from the preceding quarter. It registered a comparatively smaller increase of 4.7% as compared to the same period last year.

During the first six months of 2012, SMT Equipment revenues were US\$214.1 million, equivalent to 32.3% of the Group's turnover. SMT Equipment revenue in the first half of 2012 declined by 32.6% as compared to the preceding six months. SMT Equipment revenue was at US\$108.9 million in the second quarter of 2012, representing a small increase of 3.5% over the preceding quarter. During the first six months of 2012, the SMT Equipment business contributed net profits of HK\$94.1 million to the Group, with an EBIT margin of 9.3% and a gross margin of 31.2%.

The integration of the Surface Mount Technology ("SMT") Equipment business into our core activities continues to progress very well. The improved performance of the SMT Equipment business during the past three months validates the Group's expansion into the complementary SMT equipment market. Furthermore, it reflects the strengths of the Group, namely the ability to build on its diversified product and application markets, strong market position and financial strength. Our strong market position in the European and American markets enabled the Group to continue to reap an improved gross margin even though the overall demand for SMT equipment had yet to pick up. This was because customers in these markets usually demand higher-performance equipment which command higher prices. Due to the comparatively better performance of Assembly and Packaging Equipment and Lead frames sales, the contribution of SMT Equipment to the Group's turnover was reduced to 28.9%.

Return on capital employed and on sales were 9.5% and 11.8% respectively for the six-month period.

During the first half of 2012, sales attributable to our five largest customers combined were 16.0% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy. ASM also enjoys healthy territorial diversification of its major markets. By geographical distribution, China, Europe, Malaysia, the Americas and Taiwan have been the top five markets for ASM in the first half of 2012. China, inclusive of Hong Kong, remains our largest market, maintaining its share at 41.7%. It is followed by Europe (18.9%), Malaysia (10.6%), the Americas (7.8%) and Taiwan (5.8%). Our diversified product portfolio, which has now been expanded to include SMT placement products, also continues to be one of our strengths. The addition of the SMT Equipment business has increased ASM's market presence in Europe and the Americas. The Group's excellent financial performance in recent years provides clear evidence of the growing acceptance of our products by a larger pool of customers. 80% of the Group's turnover in the first six-month period came from 154 customers. Four out of the top 20 customers in the first half this year are from SMT Equipment business.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Bookings for all three of the above business segments continued to increase in the second quarter as compared to the first quarter of this year. Although bookings for SMT equipment generally increased as compared to the first quarter of this year, demand for SMT Equipment in China has yet to demonstrate strong recovery.

New order bookings for the first half of 2012 was US\$812.8 million, which was at a similar level to that of the first six months of last year and represented an increase of 43.6% compared to the second six months of last year. During the past six months, our book to bill ratio, representing net bookings over billings, was above 1, at 1.23.

New order bookings in the second quarter of 2012 amounted to US\$441.0 million, a sequential increase of 18.6% as compared to the first quarter of 2012. Our ending order backlog as of 30 June 2012 was US\$436.7 million, compared to US\$379.2 million as of 31 March 2012. Our book to bill ratio for the second quarter was also above 1, at 1.17.

Overall, we observed that market demand continues to be driven by portable electronic products such as smart phones and tablet computers. The LED applications market improved slightly, especially in China in respect of general lighting applications. However, there is still a general lack of strong growth momentum in the demand for LED equipment at present. Nevertheless, we noticed that the capacity utilization rate of our customers in the LED market was on an upward trend throughout the second quarter of this year.

Despite a contraction in revenue over the past six months, our SMT Equipment business remains profitable and continues to contribute positively to our bottom line. A new chip assembly machine from our SMT Equipment segment is making strong inroads into both semiconductor and LED applications. This new machine enables the combination of flip-chip and SMT operations in a single pass, thereby integrating the operations and enabling the machine to support larger panel areas, as well as to achieve higher production speed and throughput.

During the last quarter, ASM delivered to one of its customers a complete assembly and packaging solution for 100 x 300 mm lead frames, which are currently the widest lead frames in the world. 100 x 300 mm lead frames pose many technical challenges for both production and packaging, but ASM has successfully provided to the customer both the lead frames and the assembly and packaging equipment for processing them. The use of such wide lead frames has significantly improved our customer's cost proposition.

Our Lead frame business had suffered operational losses last year mainly due to high metal prices, which have since eased. The easing of raw material prices, our efforts to convince customers to accept floating prices, the improved market demand and our successful implementation of operational enhancements led to further improvement of the profitability of our Lead frame business. As a result, the Lead frame business returned to profitability during the second quarter of this year and more importantly, the profit is sufficient to offset the small loss incurred during the preceding quarter. Therefore, our Lead frame business managed to turn in a positive profit (segment result) of HK\$33.0 million during the first half of this year. This comprises 4.1% of its revenue.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

During the past six months, ASM continued to invest in research and development, thereby maintaining a valuable competitive advantage which increasingly differentiates ASM from its peers. Research and development expenses for the period amounted to HK\$434.3 million, of which 43.5% was spent on the SMT equipment business. As of 30 June 2012, 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 1,100 people.

The second phase of expansion of our new factory in Huizhou, China is approaching its final stage. We expect that the new casting centre and fabrication centre which have been set up there will be ready to commence production during the third quarter of this year.

LIQUIDITY AND FINANCIAL RESOURCES

Due to a production ramp-up which started in the later part of the first quarter of this year, our ending inventory as of 30 June 2012 increased to HK\$3.2 billion, as compared to HK\$2.5 billion as of 31 December 2011. Our annualized inventory turn was 3.58 times (first half of 2011: 6.11 times).

Days sales-outstanding increased to 91.0 days from 71.3 days in first half 2011. 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 9.0%.

Capital expenditure ("capex") in the first six months amounted to HK\$255.8 million which was partially funded by the depreciation and amortization of HK\$185.4 million for the same period. After paying last year's final dividend totaling HK\$318.1 million in May and funding capital investments in the first half of 2012, cash on hand as of 30 June 2012 was HK\$1.2 billion, which was HK\$395.9 million lower than six months ago. Our current ratio stands at 1.99, and we have a debt-equity ratio of 64.1%.

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 uncertainties brought about by the global economic outlook, the larger size of our operations compared to the past and future growth opportunities for the Company, the Board recommends a moderate dividend payout ratio, 50% of the net profits for the first half this year.

CHAIRMAN'S STATEMENT (CONTINUED)

HUMAN RESOURCES

As of 30 June 2012, the total headcount of the Group worldwide stood at approximately 16,500 people.

ASM 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 ASM. Besides offering competitive remuneration packages, ASM also commits to specialized yet demanding staff development and training programs. In general, salary review is conducted annually. In addition to salary payments, other benefits include contributions to provident fund schemes, medical and training subsidies. Discretionary bonus and incentive shares may be granted to eligible staff based on the Group's financial results and individual performance.

Total manpower costs for the first six months of 2012 were HK\$1,546.5 million, as compared to HK\$1,469.5 million for the same period last year. In March this year, the Board granted a total of 1,950,300 incentive shares to 805 employees, inclusive of four Executive Directors of the Company. The vesting period of these incentive shares is up to 15 December of this year.

STUDY BY ASM INTERNATIONAL

On 16 May 2012, ASM International N.V. ("ASMI"), the largest and controlling shareholder of the Company which holds 52.17% of the shares of the Company, issued a statement to reiterate that it will carry out a study into the non-recognition by the markets of the value of its combined businesses. The combined businesses comprise the front-end business operated by ASMI, and the back-end business operated by the Company. The study will be carried out by ASMI in the manner as announced in the materials for the Annual General Meeting of Shareholders of ASMI held on 15 May 2012 in Amsterdam, the Netherlands ("AGM"). ASMI emphasized that no decision on any further action, if any, will be taken until after the study has been completed. The views expressed by shareholders of ASMI at the AGM will be considered in carrying out the study. Materials for the AGM and the statement from ASMI are available on the web-site of ASMI, at <http://www.asm.com>.

While we do not expect that any result will be available soon, the Board and the management will closely monitor the progress of the study and review any new development that may have an impact on the Company. The Board and the management are mindful that the best interests of all shareholders of the Company should be safeguarded.

PROSPECTS

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 appear to have stepped up their capacity expansion efforts while expecting a market recovery in 2012. Despite a continuing volatile macroeconomic environment, there are some analysts who believe that after a bottoming-out of the market in the first half of 2012, growth should return in the second half of 2012, boosted by upcoming rollouts of new mobile handsets, tablet computers and ultrabooks. In particular, tablet computers are expected to be the growth drivers for the mobile computing market over the next few years, and are forecasted to surpass netbook shipments by 2016. Indeed, some analysts have forecasted that 2012 may post one of the highest levels of global investment for semiconductor manufacturing equipment in history.

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECTS (Continued)

However, it is difficult to ignore the adverse macroeconomic factors that exist, such as the European sovereign debt problem and the lack of momentum of the sputtering US economic recovery. Correspondingly, there are economic indicators which suggest that demand in Europe and China is ebbing. Increasingly, headwinds from the Euro crisis, global political uncertainty and a turbulent economic roadmap are being felt in the emerging markets like China, India and Brazil, which were previously the stalwarts of growth. Amid fears of decelerated spending by consumers, there are fears that a downturn in global technology spending may result.

With our strong backlog, we expect billings to remain at a satisfactory level in the third quarter at least. Since our bookings have improved from the first quarter to the second quarter, the situation does not look bleak by any means. We have not seen any significant scaling down of orders or large-scale holding back of orders by customers. We further note that global institutions are making concerted efforts to simultaneously stabilize the global financial system and to stimulate the world economy. We believe that a major global financial crisis such as the one in 2008 is unlikely to occur.

Nevertheless, perceived problems about the world economy appear to have worsened recently. Compared to three months ago, our customers do seem to be less optimistic about the market. The booking trend in the second half of the year is thus difficult to predict due to the macroeconomic uncertainties. In general, it can be said that there is almost no market visibility whatsoever.

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 to move ahead of their peers. Specifically, it seems that the LED market in China is doing much better than in other countries.

The SMT Equipment market in China has yet to show any significant sign of regaining its strength after its recent decline. In other territories in which we participate, such as in Europe and the Americas, the demand has remained relatively stable. Comparatively, the SMT Equipment market is now less robust than the Assembly and Packaging Equipment market. Until there are clearer signs of a recovery in the SMT Equipment market, it is probably too early to characterize the improvement in the last quarter as a sign of a general recovery in the SMT Equipment business.

We believe that consumer demand for televisions, automobiles, smart phones, portable computers and tablet PCs will still be the drivers of growth for the global semiconductor industry for the near future. Although the industry may be facing cyclical headwinds, our overall view is that there are reasons for cautious optimism for the rest of 2012. 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.

Amongst other things, ASM is benefitting from the acquisition of the SMT Equipment business, and will continue to further reap the rewards of stronger synergies between the Assembly and Packaging Equipment and SMT Equipment markets. There are also long-term trends in the LED and SMT Equipment markets that ASM is well-placed to benefit from once the market returns to its former strength. ASM's multiple-application and multiple-product strategies continue to serve it well. These have established a strong foundation which will help the Group to grow from strength to strength by presenting total solutions to its customers and pushing the technical envelope with innovative and advanced products.

Arthur H. del Prado
Chairman
25 July 2012

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 32, which comprises the condensed consolidated statement of financial position of ASM Pacific Technology Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 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 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 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
25 July 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
Turnover	4	5,145,291	7,348,618
Cost of sales		<u>(3,445,045)</u>	<u>(4,671,949)</u>
Gross profit		1,700,246	2,676,669
Other income		5,872	14,948
Selling and distribution expenses		(448,223)	(427,494)
General and administrative expenses		(212,534)	(195,555)
Research and development expenses		(434,319)	(413,283)
Other gains and losses		1,394	(31,596)
Gain from a bargain purchase	18	–	1,084,427
Finance costs		<u>(3,014)</u>	<u>(1,901)</u>
Profit before taxation		609,422	2,706,215
Income tax expense	6	<u>(125,816)</u>	<u>(261,928)</u>
Profit for the period, attributable to owners of the Company		483,606	2,444,287
Exchange differences on translation of foreign operations, representing other comprehensive (expense) income for the period		<u>(51,879)</u>	<u>139,657</u>
Total comprehensive income for the period, attributable to owners of the Company		<u>431,727</u>	<u>2,583,944</u>
Earnings per share	8		
– Basic		<u>HK\$1.22</u>	<u>HK\$6.17</u>
– Diluted		<u>HK\$1.22</u>	<u>HK\$6.16</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Notes</i>	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	2,067,978	2,073,679
Investment properties	10	67,225	–
Intangible assets		10,436	11,380
Prepaid lease payments		27,914	28,531
Pledged bank deposit		195,316	201,020
Deposits paid for acquisition of property, plant and equipment		45,216	49,972
Rental deposits paid		7,215	5,480
Deferred tax assets		127,274	98,223
Other non-current assets		4,208	2,367
		<u>2,552,782</u>	<u>2,470,652</u>
Current assets			
Inventories		3,200,301	2,545,601
Trade and other receivables	11	3,532,997	2,956,191
Prepaid lease payments		976	979
Derivative financial instruments	12	205	–
Income tax recoverable		10,950	8,611
Pledged bank deposit		–	2,010
Bank balances and cash		1,231,737	1,627,662
		<u>7,977,166</u>	<u>7,141,054</u>
Current liabilities			
Trade and other payables	13	2,759,680	2,031,739
Derivative financial instruments	12	3,571	17,733
Provisions	14	275,980	307,051
Income tax payable		284,399	470,622
Bank borrowings	15	676,434	331,144
		<u>4,000,064</u>	<u>3,158,289</u>
Net current assets		<u>3,977,102</u>	<u>3,982,765</u>
		<u>6,529,884</u>	<u>6,453,417</u>
Capital and reserves			
Share capital	16	39,764	39,764
Dividend reserve		242,359	318,110
Other reserves		6,135,267	5,907,921
Equity attributable to owners of the Company		<u>6,417,390</u>	<u>6,265,795</u>
Non-current liabilities			
Retirement benefit obligations		20,218	26,845
Provisions	14	58,822	68,625
Deferred tax liabilities		10,945	38,468
Other liabilities and accruals		22,509	53,684
		<u>112,494</u>	<u>187,622</u>
		<u>6,529,884</u>	<u>6,453,417</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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 2011 (audited)	39,612	535,987	-	-	155	72,979	(37,580)	3,261,416	1,267,581	5,140,150
Profit for the year	-	-	-	-	-	-	-	2,931,980	-	2,931,980
Actuarial gains on retirement benefit plans, net of tax	-	-	-	-	-	-	-	9,302	-	9,302
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(43,760)	-	-	(43,760)
Total comprehensive income for the year	-	-	-	-	-	-	(43,760)	2,941,282	-	2,897,522
Sub-total	39,612	535,987	-	-	155	72,979	(81,340)	6,202,698	1,267,581	8,037,672
Recognition of equity-settled share-based payments	-	-	157,472	-	-	-	-	-	-	157,472
Shares issued under the Employee Share Incentive Scheme	152	129,342	(129,494)	-	-	-	-	-	-	-
Cancellation of the grant under the Employee Share Incentive Scheme	-	-	(27,978)	-	-	-	-	-	-	(27,978)
2010 final and special dividend paid	-	-	-	-	-	-	-	-	(1,267,581)	(1,267,581)
2011 interim dividend paid	-	-	-	-	-	-	-	(633,790)	-	(633,790)
2011 final dividend proposed	-	-	-	-	-	-	-	(318,110)	318,110	-
At 31 December 2011 and 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
At 1 January 2011 (audited)	39,612	535,987	-	-	155	72,979	(37,580)	3,261,416	1,267,581	5,140,150
Profit for the period	-	-	-	-	-	-	-	2,444,287	-	2,444,287
Exchange differences on translation of foreign operations	-	-	-	-	-	-	139,657	-	-	139,657
Total comprehensive income for the period	-	-	-	-	-	-	139,657	2,444,287	-	2,583,944
Sub-total	39,612	535,987	-	-	155	72,979	102,077	5,705,703	1,267,581	7,724,094
Recognition of equity-settled share-based payments	-	-	64,183	-	-	-	-	-	-	64,183
2010 final and special dividend paid	-	-	-	-	-	-	-	-	(1,267,581)	(1,267,581)
2011 interim dividend declared	-	-	-	-	-	-	-	(633,790)	633,790	-
At 30 June 2011 (unaudited and restated)	39,612	535,987	64,183	-	155	72,979	102,077	5,071,913	633,790	6,520,696

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<i>Note</i>	Six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Cash generated from operations		283,739	1,364,397
Income taxes paid		(362,793)	(175,972)
Net cash (used in) from operating activities		(79,054)	1,188,425
Net cash used in investing activities			
Withdrawal (placement) of pledged bank deposits		2,051	(224,950)
Withdrawal of bank deposits with original maturity of more than three months		–	76,798
Purchase of property, plant and equipment		(245,189)	(392,155)
Net cash inflow arising on acquisition of subsidiaries	18	–	557,449
Deposits paid for acquisition of property, plant and equipment		(45,216)	(73,781)
Other investing cash flows		1,679	12,432
		(286,675)	(44,207)
Net cash used in financing activities			
Purchase of shares held for the Employee Share Incentive Scheme		(37,035)	–
Dividends paid		(318,110)	(1,267,581)
Bank borrowings raised		500,148	163,095
Repayment of bank borrowings		(154,578)	(69,660)
Other financing cash flows		(1,001)	–
		(10,576)	(1,174,146)
Net decrease in cash and cash equivalents		(376,305)	(29,928)
Cash and cash equivalents at beginning of the period		1,627,662	1,978,182
Effect of foreign exchange rate changes		(19,620)	37,163
Cash and cash equivalents at end of the period, represented by bank balances and cash		1,231,737	1,985,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 under the historical cost basis except for the derivative financial instruments which are measured at fair value.

The accounting policies used and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011. In addition, the Group has applied the following accounting policies during the current interim period as they have become applicable to the Group.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured at cost, including any directly attributable expenditure, or at the carrying value of the property at the date of transfer from property, plant and equipment upon change in usage as evidenced by end of owner-occupation. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Share-based payment transactions***Equity-settled share-based payment transaction***

Awarded shares held under Share Award Scheme granted to members of the management of the Group for their service to the Group

Shares purchased under the Share Award Scheme are initially recognised in equity (shares held for Share Award Scheme) at fair value of consideration paid including the transaction costs at the date of purchase.

The fair value of services received from directors and employees determined by reference to the fair value of awarded shares granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee share-based compensation reserve.

At the time when the awarded shares are vested, the amounts previously recognised in shares held for Share Award Scheme and the amount recognised in employee share-based compensation reserve are transferred to retained profits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

In the current interim period, the Group has applied for the first time a number of the amendments issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2012. The adoption of the amendments has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹ Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
HKFRS 9	Financial instruments ²
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ³
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ⁴
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

Save as disclosed in the annual report for the year ended 31 December 2011, the directors of the Company anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

3. RESTATEMENTS OF RESULTS IN ACCORDANCE WITH HKFRS 3 (REVISED)

On 7 January 2011, the Group acquired the entire equity interest of 13 direct and indirect subsidiaries (the "ASM AS Entities") of Siemens Aktiengesellschaft ("Siemens AG") (the "Acquisition"). The fair values of the identifiable assets, liabilities and contingent liabilities acquired were measured using provisional values when the condensed consolidated financial statements for the interim period ended 30 June 2011 were prepared. In December 2011, the Group had finalised the fair value assessment of the assets and liabilities at date of acquisition and adjusted the provisional amounts recognised previously when the annual consolidated financial statements of the Group for the year ended 31 December 2011 were prepared. In accordance with the requirements under HKFRS 3 (Revised) "Business combinations", the Group recognised the adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. The comparative figures in respect of the six months ended 30 June 2011 have accordingly been restated.

The effect of those restatements described above on the condensed consolidated statement of comprehensive income during the six months ended 30 June 2011 is as follows:

	Six months ended 30 June 2011		
	(Unaudited and originally stated) HK\$'000	Effect of subsequent fair value adjustments HK\$'000	(Unaudited and restated) HK\$'000
Turnover	7,348,618	–	7,348,618
Cost of sales	(4,551,061)	(120,888)	(4,671,949)
Gross profit	2,797,557	(120,888)	2,676,669
Other income	14,948	–	14,948
Selling and distribution expenses	(427,494)	–	(427,494)
General and administrative expenses	(203,768)	8,213	(195,555)
Research and development expenses	(413,283)	–	(413,283)
Other gains and losses	(31,084)	(512)	(31,596)
Gain from a bargain purchase	–	1,084,427	1,084,427
Finance costs	(1,901)	–	(1,901)
Profit before taxation	1,734,975	971,240	2,706,215
Income tax expense	(328,013)	66,085	(261,928)
Profit for the period, attributable to owners of the Company	1,406,962	1,037,325	2,444,287
Exchange differences on translation of foreign operations, representing other comprehensive income for the period	139,657	–	139,657
Total comprehensive income for the period, attributable to owners of the Company	1,546,619	1,037,325	2,583,944
Earnings per share			
– Basic	HK\$3.55	HK\$2.62	HK\$6.17
– Diluted	HK\$3.55	HK\$2.61	HK\$6.16

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

4. SEGMENT INFORMATION

The Group has three operating segments: development, production and sales of assembly and packaging equipment, surface mount technology equipment and 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 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, gain from a bargain purchase, unallocated other (expenses) income, unallocated net foreign exchange gain (loss) and unallocated general and administrative expenses.

Segment revenue and results

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
Segment revenue from external customers		
Assembly and packaging equipment	2,673,515	4,135,831
Surface mount technology equipment	1,662,117	2,409,050
Lead frame	809,659	803,737
	<u>5,145,291</u>	<u>7,348,618</u>
Segment profit (loss)		
Assembly and packaging equipment	451,975	1,529,426
Surface mount technology equipment	149,247	174,463
Lead frame	32,974	(32,522)
	<u>634,196</u>	<u>1,671,367</u>
Interest income	5,178	11,578
Finance costs	(3,014)	(1,901)
Gain from a bargain purchase	–	1,084,427
Unallocated other (expenses) income	(3)	53
Unallocated net foreign exchange gain (loss)	406	(31,029)
Unallocated general and administrative expenses	(27,341)	(28,280)
	<u>609,422</u>	<u>2,706,215</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 2012

4. SEGMENT INFORMATION (Continued)

Geographical analysis of turnover by location of customers

	Turnover	
	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Mainland China	2,027,115	3,490,387
Europe	970,272	1,258,182
Malaysia	546,923	566,777
Americas	401,191	301,179
Taiwan	296,813	466,307
Thailand	220,439	200,523
Korea	193,592	252,179
Philippines	124,551	210,047
Hong Kong	117,777	182,260
Japan	102,398	289,867
Singapore	73,953	93,382
Others	70,267	37,528
	<u>5,145,291</u>	<u>7,348,618</u>

5. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation amounting to HK\$177.4 million (HK\$172.7 million for the six months ended 30 June 2011), HK\$0.4 million (nil for the six months ended 30 June 2011) and HK\$7.5 million (HK\$2.5 million for the six months ended 30 June 2011) were charged to profit or loss in respect of the Group's property, plant and equipment, investment properties and intangible assets, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	18,652	109,177
PRC Enterprise Income Tax	30,314	61,016
Other jurisdictions	134,157	151,663
	<u>183,123</u>	<u>321,856</u>
Deferred tax credit:		
Current period	(57,307)	(59,928)
	<u>125,816</u>	<u>261,928</u>

Current tax:

- (a) Hong Kong Profits Tax is calculated at 16.5% (16.5% for the six months ended 30 June 2011) 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 was increased from 10% and 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rate for the Group's subsidiaries in the PRC is 25% for the six months ended 30 June 2012 (ranged from 24% to 25% for the six months ended 30 June 2011).
- (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 assembly and packaging equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced or to be 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 2011).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

6. INCOME TAX EXPENSE (Continued)

(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 all distributed and retained earnings. 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 2011).

(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 Company continued to receive letters from the Hong Kong Inland Revenue Department during the six months ended 30 June 2012 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 2012, the Group purchased tax reserve certificates amounting to HK\$234.9 million (31 December 2011: HK\$184.3 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.

7. DIVIDENDS

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Dividend recognised as distribution during the period		
Final dividend for 2011 paid of HK\$0.80 (2011: final dividend for 2010 paid of HK\$2.10) per share on 397,637,100 (2011: 396,119,000) shares	318,110	831,850
Special dividend for 2011 paid of nil (2011: special dividend for 2010 paid of HK\$1.10) per share on 397,637,100 (2011: 396,119,000) shares	–	435,731
	<u>318,110</u>	<u>1,267,581</u>
Dividend declared after the end of the interim reporting period		
Interim dividend for 2012 of HK\$0.61 (2011: HK\$1.60) per share on 397,637,100 (2011: 396,119,000) shares (<i>Note</i>)	242,559	633,790

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 2012 will be paid to the shareholders of the Company whose names appear on the Register of Members on 22 August 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited and restated) HK\$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period)	<u>483,606</u>	<u>2,444,287</u>
	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	397,469	396,119
Effect of dilutive potential shares from the Employee Share Incentive Scheme	<u>357</u>	<u>579</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>397,826</u>	<u>396,698</u>

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK\$248.9 million on the acquisition of property, plant and equipment (HK\$392.2 million for the six months ended 30 June 2011), in addition to those acquired in the Acquisition.

10. INVESTMENT PROPERTIES

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 properties.

All of 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 properties.

The fair value of the Group's investment properties at 30 June 2012 was HK\$110,403,000. 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.

The investment properties are 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 2012

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Trade receivables	2,573,668	2,098,882
Amount recoverable from Siemens AG (<i>Note</i>)	233,470	238,838
VAT recoverable	360,878	315,880
Tax reserve certificate recoverable	234,929	184,329
Other receivables, deposits and prepayments	137,267	123,742
	<u>3,540,212</u>	<u>2,961,671</u>
Less: Non-current rental deposits paid shown under non-current assets	(7,215)	(5,480)
	<u>3,532,997</u>	<u>2,956,191</u>
An aging analysis of trade receivables at the reporting date is as follows:		
Not yet due	1,834,506	1,529,797
Overdue within 30 days	340,946	278,745
Overdue within 31 to 60 days	156,209	101,536
Overdue within 61 to 90 days	65,290	77,784
Overdue over 90 days	176,717	111,020
	<u>2,573,668</u>	<u>2,098,882</u>

Note: Pursuant to the Master Sale and Purchase Agreement of the Acquisition entered into between Siemens AG and the Company (the "MSP Agreement"), Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify the ASM AS Entities from and against any and all taxes imposed to the 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. The related tax liabilities were partially settled up to 30 June 2012 with the remaining to be settled in the remaining six months of 2012.

Credit policy: Payment terms with customers are mainly on credit together with deposits received in advance. Invoices are normally payable within 30 to 60 days of issuance, except for certain well established customers, where the terms may be 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 2012

12. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2012		At 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Foreign currency forward contracts	205	3,571	–	17,733

The foreign currency forward contracts were mainly related to buying Euros and selling US dollars at contract rates ranging from US\$1.2497 to US\$1.3077 (31 December 2011: US\$1.2941 to US\$1.2983) per EUR with future maturity dates ranging from 30 July 2012 to 28 November 2012 (31 December 2011: 30 January 2012 to 30 August 2012) amounting to an aggregate notional amount of US\$27,000,000 (31 December 2011: US\$56,975,000).

The above derivatives were measured at fair value at the end of the reporting period using the prevailing forward exchange rates.

13. TRADE AND OTHER PAYABLES

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Trade payables	1,564,942	802,358
Amounts due to subsidiaries of ASM International N.V. – trade (<i>Note</i>)	1	401
Accrued salaries and wages	263,266	254,235
Other accrued charges	431,670	507,590
Deposits received from customers	334,196	290,065
Payables arising from acquisition of property, plant and equipment	143,521	189,544
Other payables	44,593	41,230
	<u>2,782,189</u>	<u>2,085,423</u>
Less: Non-current other liabilities and accruals	(22,509)	(53,684)
	<u>2,759,680</u>	<u>2,031,739</u>
An aging analysis of trade payables at the reporting date is as follows:		
Not yet due	1,097,260	530,029
Overdue within 30 days	228,870	106,723
Overdue within 31 to 60 days	146,856	52,845
Overdue within 61 to 90 days	55,809	27,960
Overdue over 90 days	36,147	84,801
	<u>1,564,942</u>	<u>802,358</u>

Note: Amounts due to subsidiaries of ASM International N.V. are not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

14. PROVISIONS

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

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Current	275,980	307,051
Non-current	58,822	68,625
	<u>334,802</u>	<u>375,676</u>

The Group's provisions mainly comprise warranties provision of HK\$324,834,000 (31 December 2011: HK\$357,658,000) and provisions for onerous purchase contracts. The movement of the warranties provision is as follows:

	Warranties Provision HK\$'000
At 1 January 2011 (audited)	–
Currency realignment	(2,509)
Acquisition of subsidiaries	363,542
Additions	199,412
Utilisation	(160,177)
Reversal	(42,610)
	<u>357,658</u>
At 31 December 2011 (audited)	357,658
Currency realignment	(6,284)
Additions	107,657
Utilisation	(101,385)
Reversal	(32,812)
	<u>324,834</u>
At 30 June 2012 (unaudited)	<u>324,834</u>

15. BANK BORROWINGS

At 30 June 2012, 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 1.71% (31 December 2011: 1.83%) per annum. At 30 June 2012, the bank loans amounting to HK\$383,542,000, HK\$176,540,000 and HK\$116,352,000 will be entirely repaid 1 month, 30 months and 33 months after the reporting date, respectively. At 31 December 2011, the bank loans amounting to HK\$137,144,000 and HK\$194,000,000 would be entirely repaid 3 months and 3 years after the reporting date, respectively. The entire bank borrowings have repayment on demand clause. The loans which mature in December 2014 and April 2015 were borrowed to finance the construction of a property which is classified as construction in progress.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1 January 2011	396,119	39,612
Shares issued under the Employee Share Incentive Scheme	<u>1,518</u>	<u>152</u>
At 31 December 2011 and at 30 June 2012	<u>397,637</u>	<u>39,764</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.

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 in the Company to certain employees and members of the management of 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 was adopted by the Company to establish a trust to subscribe and purchase shares of the Company for the benefit of employees and members of the management of the Group under the Employee Share Incentive Scheme. The scheme shall be 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.

The fair value of the shares to be granted was determined with reference to market value of the shares at the grant date taking into account of the expected dividends as the employees are not entitled to receive dividends paid during the vesting period. The fair value of the shares granted at the date of grant was HK\$99.6 per share. The fair value of 328,000 shares purchased during the period amounting to HK\$37,035,000 was determined with reference to the cost of purchase from the market including transaction costs. The costs of such purchases are recognised in "Shares held for Share Award Scheme" reserve presented in equity during the six months ended 30 June 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

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	–
Awarded Shares granted to executive directors (<i>Note</i>)	328
New Shares granted to other employees and members of management during the period	<u>1,622</u>
Outstanding as at 30 June 2012	<u><u>1,950</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	–	–
Purchase during the period	<u>328</u>	<u>37,035</u>
At 30 June 2012	<u><u>328</u></u>	<u><u>37,035</u></u>

18. ACQUISITION OF SUBSIDIARIES

Acquisition in 2011

On 7 January 2011, the Group acquired the entire equity interest of the ASM AS Entities operating the surface mount technology equipment business in 11 countries, including Germany, the PRC, the United Kingdom, France, Austria, the United States of America, Mexico, Singapore, Sweden, Italy and Brazil, for a cash consideration of EUR35,900,000 (approximately HK\$372,841,000).

The principal activities of the ASM AS Entities are development, production, sale and service of surface mount technology placement machines. The ASM AS Entities were acquired so as to achieve significant synergies given they have similar engineering, technical and production process characteristics compared to the semiconductor equipment industry.

	HK\$'000
Consideration transferred (<i>Note</i>):	
– by cash, paid during the six months ended 30 June 2011	284,563
– by cash, paid during the six months ended 31 December 2011	88,278
– service fee in respect of bank guarantee paid to a bank	1,558
– service fee in respect of bank guarantee payable to a bank	<u>4,673</u>
	<u><u>379,072</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

18. ACQUISITION OF SUBSIDIARIES (Continued)**Acquisition in 2011 (Continued)**

Acquisition-related costs have been excluded from the cost of acquisition and recognised as an expense in the period when incurred within the “general and administrative expenses” line item in the condensed consolidated statement of comprehensive income. Cumulative acquisition-related costs in respect of the Acquisition amounted to HK\$53,460,000, of which HK\$7,073,000 was charged to profit or loss in the year ended 31 December 2011 with the remaining amount charged to profit and loss in previous periods.

Note: Apart from the cash consideration paid by the Group, the Company undertook certain financial commitments to the ASM AS Entities and Siemens AG pursuant to the MSP Agreement which are summarised as set out below.

The Company undertook to pay to ASM Assembly Systems GmbH & Co. KG (“ASM AS KG”), one of the ASM AS Entities, an equity amount of EUR20.0 million (approximately HK\$208.0 million) as capital injection to increase ASM AS KG’s registered limited partnership interest, and to grant ASM AS KG a revolving loan facility of up to EUR20.0 million (approximately HK\$195.3 million) for a period of at least three years from the completion of the Acquisition subject to the terms and conditions as set out in the MSP Agreement (the “Loan Commitment”). The Company shall not alter, rescind, rewind or in any other way contradict the letter of support granted to ASM AS KG up to an amount of EUR120.0 million (approximately HK\$1,171.9 million) valid as for a duration of six years following completion of the Acquisition. The letter of support is to procure that ASM AS KG will for a period of six years after the completion of the Acquisition be in position to fulfil its obligations towards its creditors when the obligations become due. The Company undertook to procure that ASM AS KG will not reduce or decrease the registered limited partnership interest of ASM AS KG for a period of three years following completion of the Acquisition.

Further, the Company undertook to Siemens AG that for a period of three years from date of completion of the Acquisition that the Company would not directly or indirectly, (i) make, resolve, initiate, enable or accept any withdrawals from ASM AS KG or any of its partial or entire successors conducting the business or parts thereof (the “Sustained Business”), (ii) make, resolve on, initiate, enable or accept dividend payments or loan repayments by the Sustained Business, (iii) encumber, induce or impose the encumbrance of any assets of ASM AS KG or any of its successors other than in the ordinary course for the regular operative business of ASM AS KG, (iv) accept other non-arm’s length advantages from the Sustained Business, or (v) change, alter, rescind, rewind or in any other way contradict the equity commitment and loan commitment as set out in the MSP Agreement. In addition, the Company undertook to Siemens AG that certain employment protection clauses of ASM AS KG as included in the MSP Agreement, including the maintenance of existing site in Munich, Germany and Munich as the headquarters of the group comprising principally the ASM AS Entities, and compliance with certain collective labour agreements. The Company also undertook to pay Siemens AG liquidated damages in the amount up to EUR20.0 million (approximately HK\$195.3 million) if the Group does not comply with its obligations in respect of the Sustained Business and employment protection as set out in the MSP Agreement and is not able to cure such non-compliance within a reasonable period of time. The Company agreed to provide Siemens AG with a bank guarantee which shall secure the obligations of the Group as set out above in an amount of not less than EUR20.0 million (approximately HK\$195.3 million). The bank charges a service fee of 0.75% per annum on the guarantee amount, which is equivalent to EUR150,000 per annum. The guarantee is to cover a period of four years and the aggregate expense to the Company would be EUR600,000 (approximately HK\$6,231,000), which represents part of the acquisition cost and is regarded as part of the consideration for the Acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

18. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition in 2011 (Continued)

In December 2011, the Group had finalised the fair value assessment of the assets and liabilities at date of acquisition. Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Non-current assets	
Property, plant and equipment	135,814
Intangible assets	16,019
Deferred tax assets	18,308
Other non-current assets	5,128
	<u>175,269</u>
Current assets	
Inventories	1,073,257
Trade and other receivables	1,365,364
Derivative financial instruments	2,586
Income tax recoverable	7,295
Bank balances and cash	842,012
	<u>3,290,514</u>
Current liabilities	
Trade and other payables	1,209,792
Provisions	329,950
Income tax payable	55,734
Bank borrowings	69,977
	<u>1,665,453</u>
Non-current liabilities	
Retirement benefit obligations	19,434
Provisions	73,207
Deferred tax liabilities	225,715
Other liabilities and accruals	18,475
	<u>336,831</u>
Net assets	<u>1,463,499</u>
Gain from a bargain purchase arising on acquisition:	
Consideration transferred	379,072
Less: Net assets acquired	1,463,499
	<u>1,084,427</u>
Gain from a bargain purchase	<u>1,084,427</u>
Net cash inflow arising on acquisition:	
During the six months ended 30 June 2011:	
– consideration paid in cash	(284,563)
– less: Cash and cash equivalents acquired	842,012
	<u>557,449</u>
During the six months ended 31 December 2011:	
– consideration paid in cash	(88,278)
– service fee paid in respect of bank guarantee to a bank	(1,558)
	<u>(89,836)</u>
	<u>467,613</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

18. ACQUISITION OF SUBSIDIARIES (Continued)**Acquisition in 2011 (Continued)**

The receivables acquired (which principally comprised trade and other receivables) with a fair value of HK\$1,365,363,000 and had gross contractual amounts of HK\$1,397,056,000. The best estimate at acquisition date of the contractual cash flows of the receivables is expected to be collected.

Gain from a bargain purchase of HK\$1,084,427,000 was recognised upon completion of the acquisition of the ASM AS Entities. The gain from a bargain purchase on acquisition was mainly attributable to depressed market value of the acquired business because of years of losses due to challenging economic environment and the bad global economic environment during the period of negotiation of the Acquisition. The fair value of certain contingent liabilities that might arise from the acquired business could not be measured reliably and such contingent liabilities were not recognised.

Included in the revenue and profit for the year ended 31 December 2011 of the Group were HK\$4,875,100,000 and HK\$335,417,000, respectively, which represented the revenue and profit of the ASM AS Entities for the year ended 31 December 2011.

19. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2011, the Group purchased property, plant and equipment from ASM Front End Manufacturing Singapore Pte. Limited, a subsidiary of ASM International N.V., at a consideration HK\$1,140,000 (nil for the six months ended 30 June 2012).
- (b) Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK\$37,203,000 (HK\$40,561,000 for the six months ended 30 June 2011).

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\$16,086,000 (HK\$16,162,000 for the six months ended 30 June 2011).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2012

20. CONTINGENT LIABILITIES

In addition to the contingent liabilities as disclosed in note 18, the Group has contingent liabilities as follow:

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	<u>3,179</u>	<u>2,898</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\$24,415,000; HK\$25,128,000 at 31 December 2011) and the amount was recognised as of 30 June 2012 and 31 December 2011. 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 Company is not aware of any other legal proceedings that would have an adverse or material impact on the Group's financial results.

21. CAPITAL COMMITMENTS

	At 30 June 2012 (Unaudited) HK\$'000	At 31 December 2011 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted for	328,882	158,881
– contracted for but not provided in the condensed consolidated financial statements	<u>170,821</u>	<u>174,567</u>
	<u>499,703</u>	<u>333,448</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 2012 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of shareholding in the Company
Arthur H. del Prado	Beneficial Owner	(Note 1)	–
Charles Dean del Prado	Beneficial Owner	(Note 2)	–
Lee Wai Kwong (Note 3)	Beneficial Owner	846,700	0.21%
Lo Tsan Yin, Peter (Note 4)	Beneficial Owner	338,000	0.09%
Chow Chuen, James (Note 5)	Beneficial Owner	340,000	0.09%
Robin Gerard Ng Cher Tat (Note 6)	Beneficial Owner	37,000	0.01%

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

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2012 and at 30 June 2012
Arthur H. del Prado	23.5.2007	23.5.2010 – 23.5.2015	EUR19.47	52,886
Charles Dean del Prado	1.2.2003	1.2.2006 – 1.2.2013	US\$11.35	20,000
	23.5.2007	23.5.2010 – 23.5.2015	EUR19.47	19,645
	1.3.2008	1.3.2011 – 1.3.2016	EUR12.71	125,000
	30.11.2009	30.11.2012 – 30.11.2017	EUR15.09	50,000
	31.12.2011	31.12.2014 – 31.12.2018	EUR22.33	75,000
Petrus Antonius Maria van Bommel	23.12.2010	1.7.2013 – 1.7.2017	EUR16.27	25,000
	31.12.2011	31.12.2014 – 31.12.2018	EUR22.33	53,000

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions (Continued)

Notes:

1. As at 30 June 2012, Mr. Arthur H. del Prado, as well as a Dutch private limited liability company and a foundation both controlled by him, altogether held about 20.64% of the share capital of ASM International N.V., represented by 11,346,323 common shares. ASM International N.V. through its wholly-owned subsidiary, ASM Pacific Holding B.V., is a controlling shareholder of the Company, holding 207,427,500 shares which is approximately 52.17% of the entire share capital of the Company. ASM International N.V. also holds the fixed-rate participating shares of ASM Assembly Automation Limited, ASM Assembly Materials Limited and ASM Asia Limited which are wholly-owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.
2. Mr. Charles Dean del Prado and his spouse directly held 134,362 common shares in ASM International N.V., together with his interest of 713,000 common shares in ASM International N.V. held through a foundation controlled by Mr. Arthur H. del Prado, he is deemed to be interested in an aggregate of 847,362 common shares in ASM International N.V., representing 1.54% shareholding in the issued share capital in ASM International N.V..
3. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), on 21 March 2012 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 21 March 2012 until 15 December 2012 (both days inclusive) ("Vesting Period") whereby the Company has agreed on 21 March 2012 to allocate to Mr. Lee an entitlement of 130,000 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 846,700 Shares includes this 130,000 Shares entitlement.
4. As at 30 June 2012, Mr. Lo beneficially owned 2,500 shares of ASM International N.V. (representing 0.0045% shareholding (which carry voting power) in the issued share capital in ASM International N.V.), and pursuant to the Scheme, on 21 March 2012 the Company also agreed to allocate to him an entitlement of 96,000 Shares in respect of his services upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Lo in relation to this entitlement and his interest of 338,000 Shares includes this 96,000 Shares entitlement.
5. Pursuant to the Scheme, on 21 March 2012 the Company agreed to allocate to Mr. Chow an entitlement of 78,000 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. Chow in relation to this entitlement and his interest of 340,000 Shares includes this 78,000 Shares entitlement.
6. Pursuant to the Scheme, on 21 March 2012 the Company agreed to allocate to Mr. Ng an entitlement of 24,000 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 37,000 Shares includes this 24,000 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 2012, 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 2012, 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.	Interest of a controlled corporation	207,427,500	52.17%	–	–
ASM Pacific Holding B.V.	Beneficial owner	207,427,500	52.17%	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	39,844,020	10.02%	–	–

Save as disclosed above, as at 30 June 2012, 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

At the 2012 annual general meeting (“AGM”) of the Company held on 27 April 2012, the shareholders of the Company approved the Board’s proposal to amend the Company’s Articles of Association, which related to (i) the term of appointment of each director shall not be more than three years; (ii) changes to reflect the latest amendments to the Listing Rules, and (iii) certain housekeeping amendments. The shareholders of the Company had also approved the Board’s proposal to have the current term of appointment for all existing directors to expire on end of the third annual general meeting since their last appointment.

The revised Articles of Association are available on the website of the Company and Hong Kong Stock Exchange.

The Group has complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the six months ended 30 June 2012.

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

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 2012 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 2012, 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 328,000 shares in the Company. The cost of purchase of these shares is about HK\$37 million.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 20 August 2012 to 22 August 2012, 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 17 August 2012. The interim dividend will be paid on or about 29 August 2012.

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