



2007
Interim Report
中期報告

ASM Pacific Technology Limited

(Stock Code 股份代號 : 0522)



CONTENTS

Corporate Information	2
Chairman's Statement	3
Review Report to the Board of Directors	7
Condensed Consolidated Income Statement	8
Condensed Consolidated Balance Sheet	9
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Cash Flow Statement	11
Notes to the Condensed Consolidated Financial Statements	12
Other Information	21

CORPORATE INFORMATION**DIRECTORS****Executive Directors:**

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

Non-executive Director:

Arnold J.M. van der Ven

Independent Non-executive Directors:

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

PRINCIPAL BANKERS

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

AUDITORS

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**

Secretaries Limited*
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

* *Change of name to Tricor Secretaries Limited with effect
from 1 August 2007*

CHAIRMAN'S STATEMENT

RESULTS

We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved a record turnover amounting to HK\$2,373,634,000 for the six months ended 30 June 2007, representing an increase of 4.4% as compared with HK\$2,273,105,000 for the same period of the previous year and 4.0% gain when compared with the turnover of HK\$2,282,848,000 for the preceding six-month period. The Group's consolidated profit after taxation for the six months is HK\$546,400,000 which is 12.6% lower than the corresponding period in 2006 and 4.2% higher than the preceding six-month period. Basic earnings per share (EPS) for the half-year period amounted to HK\$1.41 (first half of 2006: HK\$1.61, second half of 2006: HK\$1.36).

DIVIDEND

In view of the Company's continuing strong liquidity and rising equity base, the Board of Directors has resolved to pay an interim dividend of HK\$0.70 (2006: HK\$0.70) per share and a special dividend of HK\$0.60 (2006: HK\$0.75) per share. This is in line with our prudent policy, as stated in the past several financial result announcements, of returning current excessive cash holdings to our shareholders while continuing to operate the Group with the optimal shareholders' fund. Having established its leadership position in the microelectronics market over the years, ASM intends to further its organic growth path in the near term not only by enlarging market share with its high-performance, diversified products but also by moving into untapped market space that provides the opportunity for highly profitable growth. There is no short term need for major cash outlay and the Group has consistently managed to generate significant positive cash flow from operations in the past ten years.

REVIEW

The first six months of 2007 have again been strong for the company, bolstered primarily by a robust second quarter. Our order inflows and billings showed a solid increase into the second quarter, helping the company on its way to set new records. We are naturally thrilled by this latest performance, which exceeds the previous record Group turnover during the corresponding first half of last year.

Our billings for both Equipment and Leadframe have been especially strong for the second quarter. We saw improved performance across almost all of our product range, which further contributed to the Group's growth momentum. As a result, even with our lower billings in the first quarter, we have been able again to scale new heights as compared to the record-breaking first half of 2006.

We achieved a record Group turnover of US\$304 million and a profit of HK\$546 million during the past six months, reflecting further gains in market share and our capability to respond quickly to changes in market conditions. Return on capital employed and on sales was 22.5% and 24.8% respectively for the six-month period. We made record shipments in the past six months, due to strong order inflows. During the same period, our book to bill ratio, representing net bookings over billings was 1.14. Despite achieving record shipment in the second quarter, our ending order backlog as of 30 June 2007 was in excess of US\$146 million (US\$103.9 million as of 31 December 2006 and US\$130 million as of 31 March 2007). Book to bill ratio for the second quarter was 1.09.

CHAIRMAN'S STATEMENT (CONTINUED)**REVIEW (Continued)**

This was another excellent result by ASM, due not only to the solid foundation laid over the years by the diversification of our products and application markets, but reinforced by our efficient cost structure and ongoing successful introduction of technologically-advanced new products. During the first half of 2007, sales attributable to our five largest customers combined were 19.5% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy. We also enjoyed a good geographical spread mirroring the investment trends in the industry, with Mainland China sustaining its top (33.8%) position, followed by Taiwan (21.2%) and Malaysia (12.5%). Such a diversified product and geographic portfolio continues to be one of ASM's strengths.

The Group's stellar financial performance in recent years provides clear evidence of the growing acceptance of our products by a larger pool of customers. During the first six months of 2007, Equipment revenues were US\$245 million, equivalent to 80.8% of the Group's turnover, an increase of 6.2% and 7.9% over the first and second six months period in 2006, respectively. Equipment revenue achieved a new record of US\$147 million in the second quarter of 2007, representing an increase of 49.9% over the preceding quarter and 16.3% over same period last year. With improved market demand, gain in market share and the expanded production capacity in our China and Malaysian plants, our Leadframe business achieved revenues of US\$59 million, representing 19.2% of the Group's turnover during the first half of 2007, a decrease of 2.3% and 9.9% over the first and second half of 2006 respectively, mainly as a result of lower output in the first quarter of 2007. However, it is important to note that our Leadframe business actually achieved a new record of US\$34 million in the second quarter of 2007, representing an increase of 34.9% over the preceding quarter and 8.8% over same period last year. Clearly the strategic realignment of our Leadframe operations has yielded dividends.

Our continued strong progress as evidenced by the above results demonstrates that our internal growth strategy remains acutely relevant to the company and continues to work in our favour.

Satisfying the diverse demands of today's package types and applications comes at a price, and that price is the requirement for multiple platforms in almost any assembly process, such as our gold wire bonder, die bonder, aluminum wire bonder, flip chip bonder, LED die sorter, encapsulation system, package singulation system and test handler products. While it is essential that we provide short delivery times to our customers for standard products, the combined effect of a wider range of products, higher production run-rates, multiple platforms and new product introductions led to higher work-in-process and raw materials inventories as compared with six months ago. With more pipeline materials to address customer orders, our ending inventory as of 30 June 2007 slightly increased to HK\$819 million (HK\$740 million as of 31 December 2006), with an annualized inventory turn of 6.09 times (2006: 6.75 times) that was positively impacted by higher revenues. Moreover, with our diligent collection efforts, days sales-outstanding was 85.2 days (2006: 71.1 days). The increase is in line with much higher billings in the last quarter. Our sound working capital management has resulted in a free cash flow of HK\$165 million and a return on invested capital of 29.5% during the past six months.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

After paying last year's final and second special dividend of total HK\$467 million in April and funding capital investment of HK\$177 million in the first half of 2007, cash on hand as of 30 June 2007 was HK\$706 million, which was HK\$209 million lower than six months ago mainly due to increase in working capital to cope with the strong order inflows. Our current ratio stands at 2.59, with zero long-term debt or bank borrowing, and a debt-equity ratio of only 40%. With no short-term needs and an on-going positive cash flow from organic growth operations, these figures permit ASM's management to recommend a sustained high level of dividend to return the excessive cash holdings to our shareholders.

PROSPECTS

The market slowdown that started in the second half of last year turned out to be a short and mild one, at least for ASM. Our order intake began to rebound in the first quarter and continued strongly into the second quarter. The recovery is across almost all products and from a broad spread of geographical territories and customers. However, we notice that some industry analysts have started to trim down their forecasts for the semiconductor industry for 2007 while maintaining a forecast of strong growth for 2008. There are also analysts expressing the opinion that the semiconductor equipment industry, probably more with regard to the front-end equipment industry, is heading for a steep downturn.

Fortunately, from our perspective, we have yet to see any sign of such a downturn, going by our robust performance during the past quarter. The improvements in the second quarter have certainly been healthy and encouraging. The strong new order backlog as of end of second quarter gives us additional dynamic impetus for vigorous growth in 2007. It is difficult to predict whether the present positive trend will continue. However, ASM's management will as always be mindful to react to any sudden changes in market conditions. Responsiveness to market changes is traditionally one of ASM's strengths.

We are on track in introducing a new generation of products. Our new state-of-the-art Multi-Chip Module (MCM) die bonder and the new generation gold wire bonders were showcased at the SEMICON Singapore Show in May this year. The reception and feedback were encouraging. Shipment of our new Chip-On-Glass (COG) flip chip bonder has already been started.

Our current success brings with it a requirement to plan for future expansion. We are glad to announce that the transfer of our Back End Products (BEP) operations to our new FuYong, Shenzhen, China plant has been completed. We will be further increasing our capacity in the FuYong plant in the next few months with the purchase and installation of new production equipment. The transfer of our Leadframe plating operations to our Malaysian plant has already been completed in the first quarter of 2007, enabling us to further improve our cost-competitiveness and expand the output of our QFN etched frames. Although we expect to face early difficulties in our Malaysian Leadframe operations due to the inevitable learning curve, the strong performance achieved in the second quarter this year is a clear sign that we are benefiting from the increased capacity available to us, which bodes well for the future. Expansion of the etching lines at our Singapore plant to increase etching capacity is also progressing well. Furthermore, we have added more factory space in our Hong Kong office for our die bonder and aluminum wire bonder operations, as well allocating additional areas for research and development work.

CHAIRMAN'S STATEMENT (CONTINUED)**PROSPECTS (Continued)**

Over the years we have accumulated a wealth of technologies and gathered a vast pool of talent at ASM. Our track record of successfully executing ASM's customer-centric business strategy needs no elaboration. The broad customer base coming from various application markets, the diversified product offerings and the industry's most efficient cost structure are ASM's sustainable competitive advantages, and we intend that they will remain so into the future. Furthermore, ignoring short-term sales fluctuation in favour of long-term growth, ASM has consistently committed 10% of our Equipment sales to R&D – US\$263 million in the past ten years and made substantial capital investments – US\$241 million in the last decade – to position the Group advantageously in the global market. The battle for market share is an arduous struggle with no quarter given, and in general the outcome will favour companies with richer resources, both human and material. Given our strengths in these areas, it is management's belief that ASM will continue to outperform our industry peers and maintain our leading position in the foreseeable future.

Arthur H. del Prado

Chairman

30 July 2007

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 8 to 20 which comprises the condensed consolidated balance sheet of ASM Pacific Technology Limited as of 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 July 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	<i>Notes</i>	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	2,373,634	2,273,105
Cost of sales		(1,358,309)	(1,207,854)
Gross profit		1,015,325	1,065,251
Other income		16,648	17,328
Selling expenses		(192,453)	(182,008)
General and administrative expenses		(85,535)	(86,786)
Research and development expenses		(149,039)	(138,097)
Finance costs		(71)	(27)
Profit before taxation		604,875	675,661
Income tax expense	5	(58,475)	(50,617)
Profit for the period		<u>546,400</u>	<u>625,044</u>
Dividend paid	6	<u>466,607</u>	<u>503,177</u>
Dividend proposed	6	<u>505,491</u>	<u>561,236</u>
Earnings per share	7		
– Basic		<u>HK\$1.41</u>	<u>HK\$1.61</u>
– Diluted		<u>HK\$1.40</u>	<u>HK\$1.61</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	At 30 June 2007 (Unaudited) HK\$'000	At 31 December 2006 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	949,346	858,989
Prepaid lease payments		9,133	9,128
Deposit paid for acquisition of property, plant and equipment		18,951	–
Deferred tax assets		3,035	878
		<u>980,465</u>	<u>868,995</u>
Current assets			
Inventories		819,377	740,161
Trade and other receivables	9	1,253,489	962,414
Prepaid lease payments		494	480
Bank balances and cash		705,988	914,681
		<u>2,779,348</u>	<u>2,617,736</u>
Current liabilities			
Trade and other payables	10	878,281	765,817
Taxation		191,302	149,529
Notes payable to a bank	11	2,049	7,244
		<u>1,071,632</u>	<u>922,590</u>
Net current assets		<u>1,707,716</u>	<u>1,695,146</u>
		<u>2,688,181</u>	<u>2,564,141</u>
Capital and reserves			
Share capital	12	38,884	38,884
Dividend reserve		505,491	466,607
Other reserves		2,141,596	2,056,583
Equity attributable to equity holders of the Company		2,685,971	2,562,074
Non-current liabilities			
Deferred tax liabilities		2,210	2,067
		<u>2,688,181</u>	<u>2,564,141</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
At 1 January 2006	38,706	140,973	-	155	70,944	(81,135)	1,720,714	503,177	2,393,534
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	-	-	13,339	-	-	13,339
Release upon liquidation of a subsidiary	-	-	-	-	-	(954)	-	-	(954)
Profit for the year	-	-	-	-	-	-	1,149,477	-	1,149,477
Total recognised income and expense for the year	-	-	-	-	-	12,385	1,149,477	-	1,161,862
Sub-total	38,706	140,973	-	155	70,944	(68,750)	2,870,191	503,177	3,555,396
Capitalisation of retained profits in a subsidiary	-	-	-	-	2,035	-	(2,035)	-	-
Recognition of equity-settled share based payments	-	-	71,091	-	-	-	-	-	71,091
Shares issued under the Employee Share Incentive Scheme	178	70,913	(71,091)	-	-	-	-	-	-
Interim dividend proposed	-	-	-	-	-	-	(270,942)	270,942	-
First special dividend proposed	-	-	-	-	-	-	(290,294)	290,294	-
Second special dividend proposed	-	-	-	-	-	-	(77,768)	77,768	-
Final dividend proposed	-	-	-	-	-	-	(388,839)	388,839	-
Dividends paid	-	-	-	-	-	-	-	(1,064,413)	(1,064,413)
At 31 December 2006 and 1 January 2007	38,884	211,886	-	155	72,979	(68,750)	1,840,313	466,607	2,562,074
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	-	-	10,385	-	-	10,385
Profit for the period	-	-	-	-	-	-	546,400	-	546,400
Total recognised income and expense for the period	-	-	-	-	-	10,385	546,400	-	556,785
Sub-total	38,884	211,886	-	155	72,979	(58,365)	2,386,713	466,607	3,118,859
Recognition of equity-settled share based payments	-	-	33,719	-	-	-	-	-	33,719
2006 final and second special dividend paid	-	-	-	-	-	-	-	(466,607)	(466,607)
2007 interim dividend proposed	-	-	-	-	-	-	(272,188)	272,188	-
2007 special dividend proposed	-	-	-	-	-	-	(233,303)	233,303	-
At 30 June 2007	38,884	211,886	33,719	155	72,979	(58,365)	1,881,222	505,491	2,685,971
At 1 January 2006	38,706	140,973	-	155	70,944	(81,135)	1,720,714	503,177	2,393,534
Exchange differences on translation of foreign operations recognised directly in equity	-	-	-	-	-	5,062	-	-	5,062
Profit for the period	-	-	-	-	-	-	625,044	-	625,044
Total recognised income and expense for the period	-	-	-	-	-	5,062	625,044	-	630,106
Sub-total	38,706	140,973	-	155	70,944	(76,073)	2,345,758	503,177	3,023,640
Recognition of equity-settled share based payments	-	-	31,476	-	-	-	-	-	31,476
2005 final and second special dividend paid	-	-	-	-	-	-	-	(503,177)	(503,177)
2006 interim dividend proposed	-	-	-	-	-	-	(270,942)	270,942	-
2006 special dividend proposed	-	-	-	-	-	-	(290,294)	290,294	-
At 30 June 2006	38,706	140,973	31,476	155	70,944	(76,073)	1,784,522	561,236	2,551,939

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash from operating activities	441,674	698,984
Net cash used in investing activities		
Purchase of property, plant and equipment	(176,639)	(68,591)
Other investing cash flows	(2,548)	15,871
	(179,187)	(52,720)
Net cash used in financing activities		
Dividend paid	(466,607)	(503,177)
Other financing cash flows	(5,418)	1,077
	(472,025)	(502,100)
Net (decrease) increase in cash and cash equivalents	(209,538)	144,164
Cash and cash equivalents at beginning of the period	914,681	728,927
Effect of foreign exchange rate changes	845	1,343
Cash and cash equivalents at end of the period	705,988	874,434

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new Hong Kong Financial Reporting Standard (“HKFRS”), amendment of Hong Kong Accounting Standard (“HKAS”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

3. SEGMENT INFORMATION

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

Business segments

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover		
Equipment	1,917,021	1,805,701
Leadframe	456,613	467,404
	<u>2,373,634</u>	<u>2,273,105</u>
Result		
Equipment	562,514	570,307
Leadframe	26,475	90,002
	<u>588,989</u>	660,309
Interest income	15,957	15,379
Finance costs	(71)	(27)
	<u>604,875</u>	675,661
Income tax expense	(58,475)	(50,617)
	<u>546,400</u>	<u>625,044</u>

Geographical segments

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover		
Mainland China	803,096	587,231
Taiwan	502,709	412,464
Malaysia	297,193	381,592
Korea	188,739	138,318
Hong Kong	160,436	166,053
Thailand	131,565	202,050
Philippines	86,716	102,773
United States of America and Latin America	68,690	78,994
Singapore	46,589	68,794
Europe	41,917	61,243
Japan	33,014	47,630
Indonesia	10,260	22,363
Others	2,710	3,600
	<u>2,373,634</u>	<u>2,273,105</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

4. DEPRECIATION

During the period, depreciation of HK\$93.0 million (HK\$82.4 million for the six months ended 30 June 2006) was charged to profit or loss in respect of the Group's property, plant and equipment.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax	55,352	45,136
Taxation in other jurisdictions	5,007	5,952
	<u>60,359</u>	<u>51,088</u>
Deferred taxation credit	(1,884)	(471)
	<u>58,475</u>	<u>50,617</u>

Hong Kong Profits Tax has been calculated at 17.5% (17.5% for the six months ended 30 June 2006) of the estimated assessable profit for the period.

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

The Group's profit arising from the manufacture of semiconductor equipment and materials in Singapore is non-taxable under a tax incentive covering certain new products under the Manufacturing Headquarters status granted by the Singapore tax authority. The tax exemption applies to profits arising for a period of 10 years from 1 January 2001, subject to the fulfilment of certain criteria during the period.

Certain subsidiaries of the Group were exempted from the People's Republic of China Income Taxes for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

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

The Company received a letter dated 28 December 2006 from the Hong Kong Inland Revenue Department ("HKIRD") seeking information relating to Profits Tax and other tax affairs of the Group. The enquiry might lead to additional tax being charged on profits from some overseas subsidiaries that have not previously been considered as within the scope of charge for Hong Kong Profits Tax.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

5. INCOME TAX EXPENSE (Continued)

During the period, protective profits tax assessments totaling approximately HK\$76,050,000 and relating to year of assessment 2000/01 (the "Tax Assessment") have been raised by the HKIRD against certain subsidiaries of the Group on their offshore tax claim.

The Group lodged objections with the HKIRD against the Tax Assessment. The HKIRD agreed to hold over the entire tax demanded subject to Tax Reserve Certificates ("TRC") in the amount of HK\$47,000,000 being purchased by the subsidiaries. The TRC in this regard have been purchased by the subsidiaries and are shown as "tax reserve certificate recoverable" in "trade and other receivables" in Note 9 to the condensed consolidated financial statements.

Based on legal and other professional advice that the Company has sought, the directors are of the opinion that the Group would have a meritorious defence to any additional tax assessment and that no material tax liability would be incurred. Accordingly, the directors consider that sufficient provision has been made in the condensed consolidated financial statements.

6. DIVIDENDS

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Dividend paid		
Final dividend paid for 2006 of HK\$1.00 (2005: HK\$1.00) per share on 388,839,000 (2005: 387,059,500) shares	388,839	387,059
Second special dividend paid for 2006 of HK\$0.20 (2005: HK\$0.30) per share on 388,839,000 (2005: 387,059,500) shares	77,768	116,118
	<u>466,607</u>	<u>503,177</u>
Dividend proposed		
Proposed interim dividend of HK\$0.70 (2006: HK\$0.70) per share on 388,839,000 (2006: 387,059,500) shares	272,188	270,942
Proposed first special dividend of HK\$0.60 (2006: HK\$0.75) per share on 388,839,000 (2006: 387,059,500) shares	233,303	290,294
	<u>505,491</u>	<u>561,236</u>

The dividends will be paid to the shareholders of the Company whose names appear on the Register of Members on 23 August 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>546,400</u>	<u>625,044</u>
	Number of Shares (in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	388,839	387,060
Effect of dilutive potential ordinary shares from the Employee Share Incentive Scheme	<u>539</u>	<u>608</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>389,378</u>	<u>387,668</u>

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$176.6 million (HK\$68.6 million for the six months ended 30 June 2006) on the acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
	Trade receivables	1,117,594
Other receivables, deposits and prepayments	88,818	75,411
Tax reserve certificate recoverable	47,000	–
Amounts due from ASM International N.V. ("ASM International") group companies – trade (Note)	<u>77</u>	<u>1</u>
	<u>1,253,489</u>	<u>962,414</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

9. TRADE AND OTHER RECEIVABLES (Continued)

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

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Not yet due	761,685	571,481
Overdue within 30 days	203,753	154,736
Overdue within 31 to 60 days	67,773	74,330
Overdue within 61 to 90 days	24,503	36,227
Overdue over 90 days	59,880	50,228
	<u>1,117,594</u>	<u>887,002</u>

Note: Amounts due from ASM International group companies are unsecured, non-interest bearing and repayable according to normal trade terms. ASM International is the ultimate holding company of the Company.

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

10. TRADE AND OTHER PAYABLES

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Trade payables	589,553	475,366
Other payables and accrued charges	288,328	289,612
Amounts due to ASM International group companies – trade (<i>Note</i>)	400	839
	<u>878,281</u>	<u>765,817</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

10. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Not yet due	426,360	290,238
Overdue within 30 days	129,400	119,702
Overdue within 31 to 60 days	31,151	53,421
Overdue within 61 to 90 days	1,512	4,815
Overdue over 90 days	1,130	7,190
	<u>589,553</u>	<u>475,366</u>

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

11. NOTES PAYABLE TO A BANK

The amount represents discounted bills with recourse in which the Group retains the credit risk of the bills receivable.

12. SHARE CAPITAL

	Six months ended 30 June 2007 (Unaudited) HK\$'000	Year ended 31 December 2006 (Audited) HK\$'000
Issued and fully paid:		
Shares of HK\$0.10 each		
At the beginning of the period/year	38,884	38,706
Shares issued under the Employee Share Incentive Scheme	-	178
	<u>38,884</u>	<u>38,884</u>
At the end of the period/year	<u>38,884</u>	<u>38,884</u>

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 2007

13. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group paid a management fee of HK\$375,000 (HK\$375,000 for the six months ended 30 June 2006) to ASM International under a consultancy agreement between ASM International and the Company. Pursuant to the original consultancy agreement, an annual management fee of HK\$1.5 million is payable to ASM International which acts as a consultant, introduces new business and provides assistance in business development, general management support and services, international expertise and market information to the Group. The annual management fee was revised to HK\$750,000 effective from 1 January 2006. The consultancy agreement, which commenced on 5 December 1988, was for an initial period of three years and is terminable thereafter by six months' notice in writing by either party.
- (b) On 10 August 2005, the Company entered into a service agreement (the "Service Agreement") with ASM Front-End Manufacturing Singapore Pte. Ltd. ("FEMS"), a wholly owned subsidiary of ASM International. Pursuant to the Service Agreement, the Group provides computer software installation consultancy services to FEMS in its implementation of a particular enterprise resources planning software in its production facility in Singapore, at a quarterly fee of US\$90,000. The Service Agreement was for a term of one year from 16 August 2005 to 15 August 2006. Details of the Service Agreement are set out in the announcement dated 15 August 2005 made by the Company. Management service fees received during the six months ended 30 June 2006 amounted to approximately HK\$1,396,000 (nil for six months ended 30 June 2007).
- (c) On 16 March 2004, the Company entered into a management and production agreement (the "M & P Agreement") with ASM International. The M & P Agreement commenced from the date of the Agreement for a term of one year and is terminable by three months' notice in writing by either party. Details of the M & P Agreement are set out in the announcement dated 18 March 2004 made by the Company. The M & P Agreement was terminated effective from 1 January 2006 while the production orders confirmed before 1 January 2006 were remained enforceable.

Pursuant to the M & P Agreement, the Group agreed to manufacture metal parts for ASM International at a cost-plus basis. The income from the manufacture of metal parts for ASM International during the six months ended 30 June 2006 amounted to HK\$1,378,000 (nil for six months ended 30 June 2007). The income received during the six months ended 30 June 2006 was being deliveries of orders confirmed before 1 January 2006.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2007

13. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK\$21,035,000 (HK\$23,701,000 for the six months ended 30 June 2006).

Certain shares of the Company were issued to the key management under the Employee Share Incentive Scheme (the "Scheme") which has a term of 10 years starting from December 1989, the Scheme was extended for a further term of 10 years up to 23 March 2010 pursuant to an extraordinary general meeting of the Company on 25 June 1999. The estimated fair value of such shares included in emoluments amounted to HK\$5,891,000 (HK\$7,694,000 for the six months ended 30 June 2006).

14. CONTINGENT LIABILITIES

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Guarantees given to the Singapore government for working permits of foreign workers in Singapore	<u>204</u>	<u>381</u>

15. CAPITAL COMMITMENTS

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	104,463	79,901
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>-</u>	<u>145,796</u>
	<u>104,463</u>	<u>225,697</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 2007 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of shareholding in the Company
Arthur H. del Prado (<i>Note 1</i>)	Beneficial Owner	207,427,500	53.35%
Lee Wai Kwong (<i>Note 2</i>)	Beneficial Owner	230,000	0.06%
Chow Chuen (<i>Note 3</i>)	Beneficial Owner	202,000	0.05%
Lo Tsan Yin, Peter (<i>Note 4</i>)	Beneficial Owner	156,000	0.04%
Lam See Pong, Patrick (<i>Note 5</i>)	Beneficial Owner	100,000	0.03%

(b) Share options of ASM International:

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2007 and at 30 June 2007
Arthur H.del Prado	19.5.2006	19.5.2009 – 19.5.2014	EURO14.08	100,856
Arnold J.M. van der Ven	15.5.2005	15.5.2008 – 15.5.2013	EURO11.18	30,000
	2.1.2006	2.1.2009 – 2.1.2014	EURO14.13	20,000
	19.5.2006	19.5.2009 – 19.5.2014	EURO14.08	15,680

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions (Continued)

Notes:

1. As regards Mr. del Prado:
 - (a) he himself, a member of his immediate family and a foundation controlled by him together held about 21.25% of the issued share capital (equivalent to 11,476,878 shares) of ASM International, which is a controlling shareholder of the Company, holding as to approximately 53.35% of the entire share capital of the Company through its wholly-owned subsidiary, namely, Advanced Semiconductor Materials (Netherlands Antilles) N.V., which holds 207,427,500 Shares, and he is accordingly deemed to be so interested; and
 - (b) ASM International also holds the fixed-rate participating shares of ASM Assembly Automation Limited, ASM Assembly Materials Limited and ASM Asia Limited which are wholly-owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.
2. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), the Board of Directors resolved to allocate Share entitlements at par value to the management and employees of the Company in respect of their services for the vesting period from 8 March 2007 until 15 December 2007 (both days inclusive) ("Vesting period") whereby the Company has agreed on 26 September 2006 to allocate to Mr. Lee an entitlement of 100,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Lee. Mr. Lee's interest of 230,000 Shares includes the above-mentioned entitlement of 100,000 Shares.
3. Pursuant to the Scheme, the Company has also agreed on 26 September 2006 to allocate to Mr. Chow an entitlement of 78,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Chow. Mr. Chow's interest of 202,000 Shares includes the above-mentioned entitlement of 78,000 Shares.
4. As at 30 June 2007, Mr. Lo beneficially owns 2,500 shares of ASM International and pursuant to the Scheme, the Company has also agreed on 26 September 2006 to allocate to Mr. Lo an entitlement of 96,000 Shares in the Company in respect of his service upon expiration of the Vesting Period and no subscription price is to be payable by Mr. Lo. Mr. Lo's interest of 156,000 Shares includes the above-mentioned entitlement of 96,000 Shares.
5. As at 30 June 2007, Mr. Lam beneficially owns 20,000 shares of ASM International.

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 2007, 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 2007, the following persons (other than a Director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held/ Percentage of shareholding in the Company			
		Long positions	%	Lending pool	%
ASM International	Corporate	207,427,500	53.35	–	–
Advanced Semiconductor Materials (Netherlands Antilles) N.V.	Beneficial owner	207,427,500	53.35	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	31,097,620	7.99	–	–
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian/ approved lending agent	19,494,203	5.01	19,374,203	4.98

Save as disclosed above, as at 30 June 2007, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interests or short positions in the shares or underlying shares of the Company.

CORPORATE GOVERNANCE

The Group has complied with all the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2007 except for the following deviation:

The Company has not yet adopted Code Provision A.4.1 which provides that Non-executive Directors should be appointed for a specific term, subject to re-election. All the Non-executive Directors are not appointed for specific term, but they are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years pursuant to the Articles of Association of the Company. As such, the Company considers that such provisions in the Articles of Association are sufficient to meet the underlying objective of the relevant provision of the CG Code.

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

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 2007 in conjunction with the Company's external auditors.

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 16 August 2007 to 23 August 2007, both days inclusive. In order to qualify for the interim and special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on 15 August 2007. The interim and special dividend will be paid on or about 29 August 2007.

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Subsidiaries

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