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## **ASM PACIFIC TECHNOLOGY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0522)**

### **ANNOUNCEMENT OF UNAUDITED 2010 THIRD QUARTER RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010**

#### ***ASM Continues Setting New Records, Net Profit More than double***

##### **3<sup>rd</sup> Quarter 2010**

- ***Record group turnover of US\$348 million, a surge of 72.9% over same period last year and a sequential increase of 13.5% over the preceding quarter***
- ***Record profit of HK\$849 million and earnings per share of HK\$2.15, a surge of 111.6% over same period last year and an increase of 24.4% over the preceding quarter***
- ***Record equipment turnover of US\$289 million, representing a strong growth of 80.8% over Q3 2009 and a sequential increase of 13.2% over the preceding three months***
- ***Record lead frame turnover of US\$59 million, a strong growth of 42.1% over Q3 2009 and a sequential increase of 15.2% over the preceding three months***
- ***New order bookings of US\$377 million, a decline of 28.1% from the preceding three months; book-to-bill ratio was 1.08***
- ***With zero debt and record cash on hand of HK\$1,599 million at the end of September 2010***

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the third quarter and nine months ended 30 September 2010:

## **RESULTS**

We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASM”) reported a turnover of HK\$2,708 million for the three months ended 30 September 2010, representing an increase of 72.9% as compared with HK\$1,566 million for the same period last year and a 13.5% increase when compared with the turnover of HK\$2,386 million for the preceding three-month period. The Group’s consolidated profit after taxation for the three months is HK\$849 million, which is 111.6% higher than the corresponding period in 2009 and 24.4% higher than the preceding three-month period. Basic earnings per share (EPS) for the three-month period amounted to HK\$2.15 (third quarter of 2009: HK\$1.02, second quarter of 2010: HK\$1.73).

## FINANCIAL HIGHLIGHTS

|   | <i>Notes</i> | Three months ended 30 Sep       |                                 | Nine months ended 30 Sep        |                                 |
|---|--------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   |              | 2010<br>(Unaudited)<br>HK\$'000 | 2009<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 | 2009<br>(Unaudited)<br>HK\$'000 |
| Turnover  | 1            | 2,707,574                       | 1,566,087                       | 6,874,729                       | 2,975,227                       |
| Cost of sales   |              | (1,392,964)                     | (863,899)                       | (3,644,805)                     | (1,817,466)                     |
| Gross profit  |              | 1,314,610                       | 702,188                         | 3,229,924                       | 1,157,761                       |
| Other income  |              | 2,456                           | 1,649                           | 16,846                          | 5,363                           |
| Selling and distribution expenses   |              | (166,246)                       | (123,766)                       | (450,215)                       | (276,288)                       |
| General and administrative expenses   |              | (80,759)                        | (42,107)                        | (209,550)                       | (114,025)                       |
| Research and development expenses   |              | (113,802)                       | (84,820)                        | (317,388)                       | (219,059)                       |
| Other gains and losses  |              | (2,252)                         | (229)                           | 13,411                          | (7,809)                         |
| Finance costs   |              | (1)                             | -                               | (2)                             | -                               |
| Profit before taxation  |              | 954,006                         | 452,915                         | 2,283,026                       | 545,943                         |
| Income tax expense  |              | (105,268)                       | (51,853)                        | (285,923)                       | (69,977)                        |
| Profit for the period   |              | 848,738                         | 401,062                         | 1,997,103                       | 475,966                         |
| Exchange differences on translation of foreign operations, representing other comprehensive income (expense) for the period |              | 6,415                           | 2,053                           | 22,338                          | (72)                            |
| Total comprehensive income for the period   |              | 855,153                         | 403,115                         | 2,019,441                       | 475,894                         |
| Earnings per share  | 2            |                                 |                                 |                                 |                                 |
| - Basic   |              | HK\$2.15                        | HK\$1.02                        | HK\$5.06                        | HK\$1.21                        |
| - Diluted   |              | HK\$2.14                        | HK\$1.02                        | HK\$5.05                        | HK\$1.21                        |

### Notes:

#### 1. Turnover by business segments

|            | Three months ended 30 Sep       |                                 | Nine months ended 30 Sep        |                                 |
|------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|            | 2010<br>(Unaudited)<br>HK\$'000 | 2009<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000 | 2009<br>(Unaudited)<br>HK\$'000 |
| Turnover   |                                 |                                 |                                 |                                 |
| Equipment  | 2,251,460                       | 1,245,061                       | 5,671,497                       | 2,242,686                       |
| Lead frame | 456,114                         | 321,026                         | 1,203,232                       | 732,541                         |
|            | 2,707,574                       | 1,566,087                       | 6,874,729                       | 2,975,227                       |

## 2. Earnings per share

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

|   | Three months ended 30 Sep         |                                 | Nine months ended 30 Sep          |                                 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|   | 2010<br>(Unaudited)<br>HK\$'000   | 2009<br>(Unaudited)<br>HK\$'000 | 2010<br>(Unaudited)<br>HK\$'000   | 2009<br>(Unaudited)<br>HK\$'000 |
| Earnings for the purposes of basic and diluted earnings per share (Profit for the period) | <u>848,738</u>                    | <u>401,062</u>                  | <u>1,997,103</u>                  | <u>475,966</u>                  |
|   | Number of shares<br>(in thousand) |                                 | Number of shares<br>(in thousand) |                                 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share    | 394,392                           | 392,357                         | 394,392                           | 392,357                         |
| Effect of dilutive potential shares from the Employee Share Incentive Scheme              | <u>1,284</u>                      | <u>1,846</u>                    | <u>1,011</u>                      | <u>1,403</u>                    |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share  | <u>395,676</u>                    | <u>394,203</u>                  | <u>395,403</u>                    | <u>393,760</u>                  |

## REVIEW

It has been a landmark year so far, with the first nine months of the year generating unprecedented growth as a result of vigorous expenditure on equipment and lead frame by our customers. The high level of activity elevated our backlog at the commencement of the third quarter to its highest level in the Company's history. The momentum which has been created has again driven ASM's business to new billings and net profit records this quarter. In fact, we have been setting new net profit records consecutively for the past five quarters and new billings records consecutively for the past four quarters. During the past quarter, our backlog has once again continued to grow and has now reached a historical record high of US\$611 million.

The first nine months of this year have set 2010 up to be a record year for ASM. Group bookings, billings and net profits accumulated so far in 2010 have already surpassed all previous records.

For the first nine months of this year, Group turnover was US\$885 million, representing an increase of 131.1% over same period last year and surpassed the full year record set in 2007 by 27.5%. Equipment revenue increased by 152.9% to a record US\$730 million and revenue for our lead frame business increased by 64.3% to a record US\$155 million. With the strong backlog to be fulfilled, our Group billings are set to break the US\$1 billion mark this year.

In fact, our Group billings had already surpassed the US\$1 billion mark for the past twelve months up to the end of September this year. For this twelve-month period, Group turnover amounted to US\$1,111 million. Equipment revenue was US\$910 million and lead frame revenue was US\$201

million, the latter revenue surpassing US\$200 million over twelve months for the first time in our history.

Bookings for the nine-month period amounted to US\$1,285 million, a new record for the Company. Net profits were HK\$1,997 million, which are more than double the full year net profits of last year and are 57.3% above the previous record for net profits achieved in 2007.

The boost in our billings in the third quarter of 2010 amounts to a sequential growth of 13.5% over the preceding quarter, taking billings to US\$348 million. They have exceeded billings from the third quarter of 2009 by 72.9%, and are 68.3% above the pre-crisis record quarterly high experienced during the second quarter of 2008. By geographical distribution, China, Taiwan, Korea and Malaysia remain our largest markets.

During the third quarter of 2010, equipment revenue increased by 80.8% to US\$289 million from the same period a year ago and increased by 13.2% from the preceding quarter. Equipment revenue contributed to 83.2% of the Group's turnover. Lead frame revenue achieved an increase of 42.1% over same period last year to US\$59 million and registered a further increase of 15.2% against the second quarter this year. Lead frame billing has improved in the third quarter as it has benefitted from an expansion in our production capacity in both our factories in Fuyong, China and in Singapore. After the considerable efforts which were deployed in the previous months to meet the delivery expectations of our customers, lead frame delivery lead-times are now back to normal levels.

During the third quarter, gross margin has further strengthened as a result of the higher production volume and the on-going cost reduction effort that was initiated last year during the global financial crisis.

During the second half, we have started to experience a noticeable decline in bookings, which is in line with a general slowdown in the demand for equipment after the exuberant expansion undertaken by our customers earlier in the year. There are isolated requests from customers to adjust their delivery dates or to make variations to their orders due to the perceived weakening of end-user demand. In this respect, there seems to be some softening in both the semiconductor integrated circuit ("IC") and light-emitting diode ("LED") markets, although the LED market appears to be affected to a lesser extent.

Our new order bookings for the third quarter of 2010 amounted to US\$377 million, which is 61.4% above same period last year and a sequential decline of 28.1% as compared to the preceding three months. During our result announcement for the previous quarter, we had already indicated that our unprecedented level of bookings in the second quarter of this year would not be sustainable. Therefore the decline in bookings during the last quarter was not a surprise to us. However, despite the market softening and boost in our billings, our book-to-bill ratio, representing net bookings over billings, remains above one at 1.08 for the third quarter of 2010. As of 30 September 2010, the order backlog amounted to US\$611 million, an increase of 5.0% as compared to the preceding three months. The market slowdown does offer ASM some respite to work towards bringing down this huge backlog before the market momentum picks up again.

Our cash-on-hand remains healthy. Despite paying out the interim dividend in August, our cash-on-hand as of end-September 2010 is at yet another new record for the Company. It provides the necessary financial resources to fund our aggressive expansion programs in both R&D and production capacity, our pending acquisition and at the same time allows ASM to continue paying good dividends to its shareholders.

Capital addition during the period amounted to HK\$287 million, which is partially funded by this quarter's depreciation of HK\$56 million. With our efforts to further expand our production capacity, our capital expenditure ("capex") budget this year has largely been committed.

## PROSPECTS

There is little doubt that 2010 will be considered as a year of impressive growth not only for the Group, but also for the semiconductor industry as a whole. In fact, revenue in the semiconductor industry is predicted to register strong double digit growth this year. In the final analysis, there should be no problem for semiconductor revenue this year to exceed that of 2007, which was the last peak year.

However, the fragile economic recovery and negative market reports in some major economies are creating poor visibility and ongoing uncertainty. In light of some recent signs of slowing consumer demand and rising inventories, revenue forecasts for the semiconductor revenue are generally being trimmed. There has been a noticeable slowdown in the second half in consumer demand for electronic products such as personal computers. From our perspective, our strong backlog will enable ASM to continue turning in creditable billings in the fourth quarter unless there are very drastic changes in global economic conditions.

At this time, there are as yet no signs of any major corrections in the market. Analysts believe that the semiconductor industry is not likely to see a dramatic downturn in 2011. Although substantial moderation in growth is to be expected, it is unlikely to represent the start of a significant downturn in the global semiconductor market. Instead, it is expected that the semiconductor market will resume its growth after any excess supply has been cleared. Medium-term growth of slightly more than 4% annually between 2010 and 2014 is being predicted for the semiconductor market by some market analysts. Therefore we remain confident about the market. We expect market momentum to pick up again after the year-end seasonal effect, especially when customers' new capex budgets for the coming year are available.

A moderation in demand would be an opportunity for us to build up and consolidate our resources internally, and to bring our backlog to a more manageable level whilst we prepare for the next upturn. We are still in the midst of expanding our production capacity to deal more effectively with the demand for our existing products, as well as to support our impending entry into the Surface Mount Technology ("SMT") business through the acquisition of Siemens' Electronics Assembly Systems business ("SEAS").

Our factory in Huizhou, China had its official opening at the start of August 2010. The factory is progressing as planned, and more than half of the machinery ordered has been installed since its official opening. Some production activities have already started, although the factory is not functioning at its full capacity yet. It is expected to contribute more significantly to our capacity once it is fully operational by the end of the fourth quarter. The increase in capacity will lead to further improvements in the lead-times for our equipment business.

In respect of our acquisition of SEAS, all the necessary anti-trust clearances have been obtained. According to the timetable agreed with the seller, if the audited financial report for SEAS for the year-ended 30 September 2010 is timely provided by the seller, we should be able to publish the Circular containing information about the acquisition by December 2010 for obtaining approval for the acquisition at an Extraordinary General Meeting ("EGM"). The EGM itself is expected to take place in the early part of January 2011. Meanwhile, planning and preparation for the integration are currently in progress.

Our remarkable success so far has been attained solely through internal growth. After the acquisition of SEAS, and if we continue to successfully grow our core and emerging businesses, we are confident that we have built a solid foundation from which ASM can grow further into a multi-billion dollar company in the foreseeable future.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2010.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Mr. Arthur H. del Prado (Chairman), Mr. Peter Lo Tsan Yin (Vice Chairman), Mr. Lee Wai Kwong and Mr. James Chow Chuen as Executive Directors, Mr. Robert Arnold Ruijter and Mr. Charles Dean del Prado as Non-executive Directors, and Miss Orasa Livasiri, Mr. Robert Lee Shiu Hung and Mr. John Lok Kam Chong as Independent Non-executive Directors.

On behalf of the Board  
**Lee Wai Kwong**  
Director

Hong Kong, 28 October 2010