THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in ASM Pacific Technology Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

ASM Pacific Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

MAJOR TRANSACTION
ACQUISITION OF THE SEAS BUSINESS
AND
RE-ELECTION OF RETIRING DIRECTORS

Financial adviser to ASM Pacific Technology Limited

UBS

UBS AG, Hong Kong Branch

A notice convening the EGM to be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 6 January 2011 at 3:00 p.m. is set out on pages N-1 to N-2 of this circular. If you do not intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at 12/F Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

21 December 2010

CONTENTS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Acquisition"	the proposed acquisition of the SEAS Business by the Company from the Seller pursuant to the terms and conditions set out in the Acquisition Agreement
"Acquisition Agreement"	the Master Sale and Purchase Agreement entered into between the Company and the Seller on 28 July 2010
"Actuarial Reports"	a written report by local actuaries commissioned by the Seller (i) to determine the pension adjustment amount as per the Effective Date under the Acquisition Agreement and (ii) the determination and the methodology and assumptions applied
"associates"	has the meaning as ascribed to it under the Listing Rules
"Base Price"	EUR 1.00
"Board"	the board of Directors of the Company
"BU Reporting"	Business Unit Reporting, the management reporting of the Seller
"Business Day"	shall mean a banking day in Frankfurt am Main (Saturdays excluded)
"Carve-out"	the transfer of all of the business, assets, liabilities, customers and employees that formed part of the SEAS Business activities from other members of the Seller Group to the Target Companies
"Combined Financial Statements"	the combined financial statements of the Target Group prepared in accordance with IFRS as issued by the International Accounting Standards Board
"Company"	ASM Pacific Technology Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 0522)
"Completion"	the completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"Conditions"	the conditions precedent to Completion in accordance with the terms of the Acquisition Agreement

"Consideration"	the consideration payable for the Acquisition in accordance with the terms of the Acquisition Agreement as set out in the "Consideration" section in this circular
"connected person"	has the meaning as ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Effective Date"	1 January 2011, 0:00 am
"Effective Date Accounts"	the combined financial statements of the Target Group as of the Effective Date
"EGM"	the extraordinary general meeting of the Company to be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 6 January 2011 at 3:00 pm to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder and to re-elect the retiring Directors
"Enlarged Group"	the Company and its subsidiaries and the Target Group
"Ernst & Young, Germany"	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, branch office Munich, Germany
"EUR"	Euro, the lawful currency from time to time of the European Monetary Union
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"Latest Practicable Date"	16 December 2010, being the latest practicable date prior to the printing of this circular
"LED"	Light-Emitting Diodes
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"SEAS Business"	the electronics assembly business of the Seller currently operated under the name of "Siemens Electronics Assembly Systems"

"SEAS KG"	Siemens Electronics Assembly Systems GmbH & Co. KG, the headquarter of the Target Group
"Second Payment Date"	the date when the remaining portion of the Consideration becomes payable according to the Acquisition Agreement
"Seller"	Siemens Aktiengesellschaft
"Seller Fund"	a non-recourse and non-refundable cash payment from the Seller to SEAS KG in the amount of EUR 29 million, adjusted as required in accordance with the Acquisition Agreement
"Seller Group"	the Seller and its subsidiaries
"SFO"	Securities and Futures Ordinance
"Shareholder(s)"	the shareholder(s) of the Company
"SMT"	surface mount technology
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	the 13 direct and indirect subsidiaries of the Seller currently operating the SEAS Business, namely Siemens Electronics Assembly Systems Management GmbH incorporated in Germany, SEAS KG organized in Germany, Siemens Electronics Assembly Systems Ltd. incorporated in the People's Republic of China, Siemens Electronics Assembly Systems Ltd. incorporated in England, Siemens Electronics Assembly Systems SAS incorporated in France, Siemens Electronics Assembly Systems GmbH incorporated in Austria, Siemens Electronics Assembly Systems GmbH & Co KG organized in Austria, Siemens Electronics Assembly Systems, LLC incorporated in the United States of America, Siemens Electronics Assembly Systems S. de R.L. de C.V. incorporated in Mexico, Siemens Electronics Assembly Systems Pte. Ltd. incorporated in Singapore, Siemens Electronics Assembly Systems AB incorporated in Sweden, Siemens Electronics Assembly Systems S.r.l. incorporated in Italy and Siemens Sistemas para Montagem de Componentes Eletrônicos Ltda incorporated in Brazil

"Target Group"	the group comprising each of the Target Companies
"UBS"	UBS AG, Hong Kong Branch

Save as otherwise specified, translations between HK$ and EUR contained in this circular are calculated at HK$10.5918 to EUR1.00 based on the exchange rate as of 30 September 2010. Such translations should not be taken as representation that the HK$ amount could actually be converted into EUR, or vice versa, at that rate, or at all.

ASM Pacific Technology Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0522)

Executive Directors:
Mr. Arthur H. del Prado (*Chairman*)
Mr. Lo Tsan Yin Peter (*Vice Chairman*)
Mr. Lee Wai Kwong
Mr. Chow Chuen James

Non-executive Directors:
Mr. Charles Dean del Prado
Mr. Petrus Antonius Maria van Bommel

Independent non-executive Directors:
Miss Orasa Livasiri
Mr. Lee Shiu Hung Robert
Mr. Lok Kam Chong John

Registered Office:
Caledonian House
George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong:
12/F Watson Centre
16-22 Kung Yip Street
Kwai Chung, New Territories
Hong Kong

21 December 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF THE SEAS BUSINESS
AND
RE-ELECTION OF RETIRING DIRECTORS

INTRODUCTION

On 29 July 2010, the Board announced that on 28 July 2010, the Company entered into the Acquisition Agreement with the Seller pursuant to which the Company has conditionally agreed to acquire the SEAS Business by acquiring the shares in the Target Companies.

As at least one of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purposes of this circular are: (i) to provide Shareholders with further details of the Acquisition, the financial information of the Target Group and other information in accordance with the requirements under the Listing Rules; (ii) to seek Shareholders' approval for the Acquisition; (iii) to provide Shareholders with information regarding the re-election of the retiring Directors; (iv) to give notice to Shareholders of the EGM at which ordinary resolutions will be proposed to approve the Acquisition and the re-election of the retiring Directors.

As completion of the Acquisition is subject to the fulfillment of a number of conditions precedent which are detailed in this circular, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

All statements, other than statements of historical facts included in this circular, are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These forward-looking statements reflect the Company's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known or unknown risks and uncertainties. Accordingly, actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, successfully integrating the SEAS Business, avoiding problems which may result in the combined company not operating as effectively and efficiently as expected; the possibility that the estimated synergies are not realized, or will not be realized within the expected timeframe; unexpected costs or liabilities; the effect of future regulatory or legislative actions; competition; and other factors. Shareholders and investors should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements.

THE ACQUISITION

The Acquisition Agreement

Date

28 July 2010

Parties

Purchaser: the Company

Seller: Siemens Aktiengesellschaft

The Seller is an international engineering conglomerate incorporated in Germany and operates a wide variety of businesses in the energy, healthcare and industry sectors in nearly 190 countries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller is a third party independent of the Company and the connected persons of the Company. There have been no previous transactions or business relationships between the Company and the Seller and its associates which would require aggregation with the Acquisition under Rule 14.22 of the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has agreed to acquire and the Seller has agreed to sell and transfer, on the terms and subject to the conditions set out in the Acquisition Agreement (i) all of the shares, participation interests and other relevant securities in the Target Companies and (ii) the related shareholders' loans owed to the Seller or its affiliates by the Target Companies. Detailed information of the Target Companies is included under the section headed "Information on the Target Group" of this circular.

Consideration

Pursuant to the Acquisition Agreement, the purchase price payable by the Company as consideration for the Acquisition shall be an amount of EUR 1.00 (approximately HK$11) (the "**Base Price**")

(a) plus the amount of cash, receivables from the Seller and other financial assets (as calculated in accordance with the Acquisition Agreement) set out in the Combined Financial Statements of the Target Group as at the Effective Date;

(b) minus the amount of financial debt, payables to the Seller and other financial liabilities (as calculated in accordance with the Acquisition Agreement) set out in the Combined Financial Statements of the Target Group as at the Effective Date;

(c) plus the amount by which the net working capital (as calculated in accordance with the Acquisition Agreement) of the Target Group based on the Combined Financial Statements of the Target Group as at the Effective Date exceeds the net working capital of the Target Group as at 30 September 2010 based on the audited Combined Financial Statements of the Target Group for the financial year ended 30 September 2010 as well as the underlying accounts; or

(d) minus the amount by which the net working capital (as calculated in accordance with the Acquisition Agreement) of the Target Group set out in the Combined Financial Statements of the Target Group as at the Effective Date falls short of the net working capital of the Target Group as at 30 September 2010 based on the audited Combined Financial Statements of the Target Group for the financial year ended 30 September 2010 as well as the underlying accounts; and

(e) plus or minus, as the case may be, the pension adjustment amount at the Effective Date as determined in accordance with the terms of the Acquisition Agreement

(the "**Consideration**").

The Company shall pay the Base Price to the Seller upon Completion. If, following finalisation of the Effective Date Accounts in accordance with the terms of the Acquisition Agreement, the calculation of the Consideration in accordance with the above results in an amount exceeding the Base Price (the "**Positive Adjustment Amount**"), the Company shall pay to the Seller such excess amount (to the extent the amount is not deducted from the Seller Fund pursuant to the terms of the Acquisition Agreement). If the calculation of the Consideration in accordance with the above results in an amount falling short of the Base Price, the Seller shall pay to SEAS KG such shortfall ("**Negative Adjustment Amount**").

Payment of the Positive Adjustment Amount by the Company or the Negative Adjustment Amount by Seller, as the case may be, shall become due and payable

(a) where no notice of disagreement in relation to the Effective Date Accounts and/or Actuarial Reports has been served in accordance with the provisions of the Acquisition Agreement, within 10 Business Days of expiry of the 25 Business Day-period from delivery of the Effective Date Accounts and Actuarial Reports; or

(b) where a notice of disagreement in relation to the Effective Date Accounts and/or Actuarial Reports has been served in accordance with the provisions of the Acquisition Agreement, within 10 Business Days of agreement between the Company and the Seller as to the disputed items or amounts or, where no such agreement has been reached, delivery of a written opinion from an internationally recognized firm of independent public accountants

(the "**Second Payment Date**").

The Consideration will be financed by the Company's internal resources.

Financial commitment to SEAS KG

Pursuant to the Acquisition Agreement, the Company undertook to (a) pay to SEAS KG an equity amount of EUR 20 million (approximately HK$211.8 million) by increasing SEAS KG's registered limited partnership interest and (b) grant SEAS KG a revolving loan facility of up to EUR 20 million (approximately HK$211.8 million) for a period of at least three years from Completion subject to the terms and conditions as set out in the Acquisition Agreement (the "**Loan Commitment**"). In the event the Positive Adjustment Amount, to the extent it is attributable to SEAS KG, exceeds the amount of the Seller Fund, the difference amount payable by the Company to the Seller shall reduce the amount of the undrawn Loan Commitment on a Euro-for-Euro basis. The Company shall not alter, rescind, rewind or in any other way contradict the letter of support up to an amount of EUR 120 million (approximately HK$1,271.0 million) valid as for a duration of six years following Completion. The Company undertook to procure that SEAS KG will not reduce or decrease the registered limited partnership interest of SEAS KG for a period of three years following Completion.

Further, the Company undertook for a period of three years from Completion that the Company will not directly or indirectly, (i) make, resolve, initiate, enable or accept any withdrawals from SEAS 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 SEAS KG or any of its successors other than in the ordinary course for the regular operative business of SEAS 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 Acquisition Agreement. In addition, the Company undertook certain employment protection clauses as included in the Acquisition Agreement, including the maintenance of existing site in Munich and Munich as the headquarter of the Target Companies, and compliance with certain collective labour agreements. The Company also undertook to pay the Seller liquidated damages in the amount up to EUR 20 million (approximately HK$211.8 million) if the Group does not comply with its obligations in respect of the Sustained Business and employment protection as set out in the Acquisition Agreement and is not able to cure such non-compliance within a reasonable period of time. The Company agreed to provide the Seller with a bank guarantee which shall secure the obligations of the Group as set out above in an amount of not less than EUR 20 million (approximately HK$211.8 million).

The financial commitment to SEAS KG does not form part of the Consideration and will not be paid to the Seller. The Company intends to make the financial contribution to SEAS KG after its ownership has been transferred to the Company. The commitment is to ensure that SEAS KG is appropriately capitalised as agreed with the Seller during the negotiations leading to the Acquisition.

The Seller undertook to make a non-recourse and non-refundable cash payment to SEAS KG on the Second Payment Date in the amount of EUR 29 million (approximately HK$307.2 million), reduced by the Positive Adjustment Amount (if any) to the extent that it is attributable to SEAS KG.

Basis of the Consideration and the financial commitment to SEAS KG

The Consideration and financial commitment to SEAS KG was determined between the Seller and the Company after arm's length negotiations, taking into account the market position and historical performance of the SEAS Business as well as the business prospects and development potential of the SEAS Business and the synergies it may bring to the Group.

Having considered the above factors, the Board considers that the Consideration and the financial commitment to SEAS KG is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

In connection with the Acquisition, UBS rendered its opinion to the Board that, as of 27 July 2010, and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth in such opinion, the Consideration and the financial commitment to SEAS KG as described in this circular, with regards to the Acquisition, is fair, from a financial point of view, to the Company. The Company is not aware of any change in facts or circumstances which may lead to alteration or withdrawal of UBS' opinion as at the Latest Practicable Date.

UBS' opinion did not address the relative merits of the Acquisition as compared to other business strategies or transactions that might be available with respect to the Company or the Company's underlying business decision to effect the Acquisition. UBS' opinion is not a recommendation to any Shareholder as to how such Shareholder should vote or act with respect to the Acquisition or any form of assurance as to the financial condition of the Target Group. UBS' opinion is confidential and was provided solely for the information of the Board in connection with the Acquisition and was not provided for the benefit of, and may not be relied upon by, any Shareholder or any other person. UBS acted as financial advisor to the Company in connection with the Acquisition and will receive a fee for its services contingent upon consummation of the Acquisition. UBS also received a fee upon delivery of its opinion.

Conditions precedent

Completion of the Acquisition is conditional upon the fulfillment (or waiver, to the extent permissible under laws) of the following Conditions:

(a) the required merger control clearances under the applicable merger control rules of Germany having been obtained or deemed to be obtained ("**Antitrust Clearance**");

(b) the Seller having delivered to the Company the Combined Financial Statements for the financial years ended 30 September 2009 and 30 September 2010 respectively;

(c) in the event of a Material Adverse Change, neither the Company nor the Seller shall have requested in writing or by fax received by the other party within a period of 10 Business Days after the delivery of the Combined Financial Statements of the Target Companies not to close the Acquisition Agreement because of such Material Adverse Change. "Material Adverse Change" shall mean the occurrence of all of the following circumstances shown in the management accounts (BU Reporting) for a period of the last six months available at the time of the aforementioned written request:

(i) the combined order intake of the Target Companies amounting to less than EUR 75 million;

(ii) the combined sales volume of the Target Companies amounting to less than EUR 80 million; and

(iii) the Target Companies' combined net cash flow from operations (excluding, for the avoidance of doubt, any cash flow attributable to a change of the balance of the line items for calculation of net working capital) amounting to less than a negative value of EUR 50 million;

(d) subsequent to the satisfaction of Condition (b) above, a period of six weeks shall have expired, unless the EGM has been held to approve the Acquisition prior to the expiry of such period, in which case the holding of the EGM shall fulfill this Condition (d).

The Company and the Seller have the right to unanimously waive any of the Conditions (b), (c) and (d) above in writing. The Seller shall, until Completion has occurred, be entitled to withdraw from the Acquisition Agreement if not all of the Conditions (a), (b) and (d) above have been fulfilled until the later of (i) the expiration of four months after submission of the relevant Combined Financial Statements in accordance with Condition (b), or (ii) 31 May 2011, provided, however, that the Seller shall have complied with certain of its obligations in respect of the filings required for Antitrust Clearance and delivery of such Combined Financial Statements in all material respects. In the event of a definitive failure of Condition (c) above to be fulfilled, either the Company or the Seller shall be entitled to withdraw from the Acquisition Agreement by written notice to the other party. In the event of a withdrawal, neither party shall have any obligation or incur any liability towards each other save for any liability of any party for wilful behaviour and certain provisions of the Acquisition Agreement which by their nature should survive and remain in full force and effect.

As at the Latest Practicable Date, each of Conditions (a), (b) and (c) above have been fulfilled.

Completion

Completion shall take place on the later of (a) 3 January 2011, and (b) the fifth Business Day after all Conditions have been satisfied or waived.

INFORMATION ON THE TARGET GROUP

The SEAS Business

The Seller is, through its direct and indirect subsidiaries, engaged in, amongst other activities, the development, manufacturing, distribution and servicing of electronics assembly systems and related products. In order to facilitate a potential divestment of the SEAS Business, the Seller commenced a process in 2008 to carve-out the SEAS Business from the other business operations of the Seller and transfer them to 13 direct and indirect subsidiaries located in 11 countries, being the Target Companies. The Carve-out involved the transfer of all of the business, assets, liabilities, customers and employees that formed part of the SEAS Business activities from the Seller Group to the Target Companies. Since 2008, in response to the global market downturn, the SEAS Business underwent a major restructuring programme aimed at downsizing its cost base. The restructuring programme included a number of measures involving the key functions of the business, such as streamlining production, centralisation of research and development, optimisation of supply chain and adaptation of sales and marketing functions to new market environments. As a result of these efforts, the SEAS Business managed to reduce its total headcount from 2,102 as of 30 September 2008 to 1,282 as of 30 September 2009 and 1,204 as of 30 September 2010.

FINANCIAL INFORMATION OF THE TARGET GROUP

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules in respect of the requirement to include an accountants' report on the Target Group covering each of the three financial years immediately preceding the issue of this circular. The effect of the waiver is that the Company is not required to include in this circular audited Combined Financial Statements for the Target Group for the financial year ended 30 September 2008.

The reasons for application for the waiver stated above by the Company are as follows:

(a) Prior to the Carve-out (which was completed by 30 June 2009), the SEAS Business did not form a separate reporting entity and no discrete financial information is available which comprehensively covers all financial reporting requirements. Accordingly, there is no standalone audited combined financial information in respect of the SEAS Business for the financial period up to and including the financial year ended 30 September 2008. Prior to the Carve-out, the activities of the SEAS Business were operated centrally through a series of local legal entities, which also operated several other business units across all divisions of the Seller's business operations. The only available financial information on the SEAS Business prior to the Carve-out is based on the management reporting procedures of the Seller, which is known as BU Reporting. While BU Reporting is effectively based on IFRS as issued by the International Accounting Standards Board, it only provides a limited view of the financial position of the relevant business operations.

    The BU Reporting information that is available in respect of the SEAS Business for the financial periods leading up to the Carve-out does not contain sufficient information to produce an audited set of combined financial statements in compliance with IFRS as issued by the International Accounting Standards Board or HKFRS for the SEAS Business during this period. As a result, no audit was conducted.

(b) Notwithstanding that audited Combined Financial Statements for the financial year ended 30 September 2008 are not available for the SEAS Business, the Directors are of the view that the Company has included sufficient alternate financial information in this circular to allow the Shareholders to make an informed decision on the Acquisition.

    Both (i) an accountants' report on the Target Group prepared by Ernst & Young, Germany which includes the audited Combined Financial Statements for the Target Companies for the financial years ended 30 September 2009 and 30 September 2010 respectively prepared in accordance with IFRS as issued by International Accounting Standards Board and (ii) extracts from the unaudited financial information for the SEAS Business for the financial year ended 30 September 2008 based on the Seller's BU Reporting are set out in Appendix II to this circular. Further, the unaudited pro forma statement of the assets and liabilities of the Enlarged Group prepared in accordance with HKFRS is set out in Appendix III to this circular in accordance with Rule 14.67(6)(a)(ii) of the Listing Rules.

Ernst & Young, Germany, as the existing auditor of the Seller, has audited the Combined Financial Statements for the Target Group prepared by the Seller for the financial years ended 30 September 2009 and 30 September 2010 respectively, and has access to the systems and accounting records of the Seller. In addition, Ernst & Young, Germany, has issued an accountants' report on the combined financial information regarding the Target Group for each of the two years ended 30 September 2010 and 2009 prepared on the basis of the Combined Financial Statements. No differences between HKFRS and IFRS as issued by International Accounting Standards Board with a significant effect on the combined financial information of the Target Group for the financial years ended 30 September 2009 and 30 September 2010 have been identified.

Ernst & Young, Germany has an international name and reputation and is a member of the German Chamber of Certified Public Accountants *(Wirtschaftsprueferkammer)*. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.03 of the Listing Rules, and the Stock Exchange has approved the inclusion in this circular of an accountants' report in respect of the Target Group which has been prepared by Ernst & Young, Germany, notwithstanding Ernst & Young, Germany is not a firm of certified public accountants qualified under the Hong Kong Professional Accountants Ordinance.

The following table sets out selected audited and unaudited financial and other data of the Target Group which has been extracted from the accountants' report of the Target Group for the financial years ended 30 September 2009 and 30 September 2010 along with selected unaudited financial and other data of the Target Group for the financial year ended 30 September 2008 extracted from the Seller's BU Reporting information:

	EUR million			**HK\$ million**[7]		
Year ended 30 September	**2008 (unaudited)**[1]	**2009**[2]	**2010**[2]	**2008 (unaudited)**[1]	**2009**[2]	**2010**[2]
Revenue	431.6	190.7	297.0	5,078.0	2,004.5	3,123.3
Loss from operations before income taxes	(76.9)	(142.8)	(7.2)	(904.8)	(1,501.0)	(75.4)
Restructuring expenses	(20.8)	(56.8)	(12.3)	(244.8)	(597.0)	(129.2)
Profit (Loss) from operations before income taxes, excluding gross restructuring expenses[3]	(56.1)	(86.0)	5.1	(660.0)	(904.0)	53.8
Loss after taxes	N/A[4]	(151.7)	(11.8)	N/A[4]	(1,594.5)	(124.3)
Net assets[5]	N/A[6]	56.2	74.9	N/A[6]	637.5	793.6
Number of employees	2,102	1,282	1,204			

Notes:

1. Based on the BU Reporting of the Seller which provides only a limited view of the financial position of the Seller's business units and excludes several key classes of assets and liabilities.

2. Based on the accountants' report of the Target Group for the financial years ended 30 September 2009 and 30 September 2010 respectively, prepared in accordance with IFRS as issued by the International Accounting Standards Board.

3. Profit (loss) from operations before income taxes calculated by excluding gross restructuring expenses from the loss from operations before income taxes.

4. As the SEAS Business did not form a separate legal entity during this period, no tax allocation was available.

5. Net assets figure is defined as total assets minus total liabilities.

6. Net assets figure is not available for 2008 as this figure was not reported on business unit level prior to the financial year ended 30 September 2009.

7. Income statement figures for the years ended 30 September 2008, 30 September 2009 and 30 September 2010 were converted at the average HK$ / EUR exchange rates for the respective periods of HK$11.7655 to EUR1.00 (2008), HK$10.5112 to EUR1.00 (2009) and HK$10.5156 to EUR1.00 (2010) respectively. Net assets figures were converted at the HK$ / EUR exchange rate of HK$11.3485 to EUR1.00 as of 30 September 2009 and HK$10.5918 to EUR1.00 as of 30 September 2010. The above exchange rates are based on data published by the European Central Bank.

The Directors are of the view that the unaudited financial information of the Target Group for the financial year ended 30 September 2008 and the financial information included in the accountants' report of the Target Group for the financial year ended 30 September 2009 reflected the exceptional economic environment over the reporting period and accounted for substantial restructuring expenses related to headcount reductions which were implemented to mitigate the impact of the economic downturn during this period. Accordingly, the Directors are of the view that these financial information should not serve as an indicator for the future financial performance of the Target Group.

Based on due diligence on the Target Group and a review of its recent management accounts and Combined Financial Statements for the financial year ended 30 September 2010, the Directors observe that the improvement in the economic environment over the past few months has had a strong positive impact on the order intake and revenue development of the Target Group, and that, supported by the reduced cost base resulting from the restructuring programme described above, the profitability of the Target Group has improved tremendously.

REASONS AND BENEFITS FOR THE ACQUISITION

The Group is currently principally engaged in the design, manufacture and marketing of machines, tools and materials used in the semiconductor industry.

The Directors consider that the surface mount technology ("**SMT**") industry is a natural field of expansion for the Group and an area to achieve significant synergies given it has similar engineering, technical and production process characteristics compared to the semiconductor equipment industry. The Directors are of the view that the SMT industry is in strong cyclical recovery with solid long term growth prospects.

The Target Group is a leading manufacturer of high-tech SMT placement machines. The Directors consider the SEAS Business an attractive entry point into the SMT industry given its leading position, advanced research and development and technological capabilities, experienced management, brand awareness with customers and comprehensive global sales footprint.

The Directors expect to realise significant synergies from the transaction by targeting the following measures:

(a) cost savings in material costs of the Target Group. The SEAS Business is currently predominantly relying on higher-cost third-party suppliers based in Europe. The Directors have identified a number of areas where direct material costs of the Target Group may be reduced. In addition, the Directors intend to source more materials from cost efficient Asian suppliers to improve the cost base;

(b) cost savings and economies of scale from close collaboration in administrative and operational functions;

(c) exploitation of revenue opportunities in the Asian region by drawing on the Group's deep knowledge and established position in the Asian markets; and

(d) possible synergies within the Enlarged Group in further product development.

The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Overview

Description of the SEAS Business

The Target Group is the third largest manufacturer and seller of SMT equipment in the world. Its business operations include the development, production, sale and service of placement solutions, SMT-equipment, software and end-to-end solutions for electronics manufacturing. The product range includes different types of product lines, aligned with the special needs of the different markets. The core markets are Europe and Asia, with China being the largest market. Based on ongoing research and development, a new, more flexible product line was released in the financial year ended 30 September 2010. The success of the Target Group in selling its products all over the world is based to a large extent on the good image of the brand "SIPLACE". To expand its competitive advantage, the Target Group implemented various cost reduction measures that the Directors intend to continue in the financial year ending 30 September 2011.

Major factors affecting the results of the Target Group

The business performances of the SEAS Business in the financial years ended 30 September 2008 and 30 September 2009 were negatively impacted by the slump of the SMT market due to the global financial crisis. With the recovery of the SMT market, the Target Group showed significant business improvement in the financial year ended 30 September 2010. Accounting for approximately 31% of total sales in the financial year ended 30 September 2010, China is the largest market for the Target Group. Therefore, the development of this market is crucial for its sales. Following on the market trend in the financial year ended 30 September 2010, a continued increase in demand in the Chinese market is expected.

Due to a strong market recovery in the financial year ended 30 September 2010, order intake increased significantly in the course of the said financial year and order backlog is at a historically high level as of 30 September 2010. The Directors expect that this development will lead to a further increase in revenue in the financial year ending 30 September 2011.

The Target Group's headquarter is located in Munich, Germany with production sites in Germany and Singapore. With suppliers mainly in Europe, the production costs of the Target Group are incurred mainly in Euro. Due to the fact that a significant portion of the revenue of the Target Group is denominated in US dollar, the Target Group is significantly exposed to US dollar exchange rate risk.

Analysis on the results of operation

Revenue

Revenue of the Target Group for the financial year ended 30 September 2009 and the financial year ended 30 September 2010 was EUR 190.7 million and EUR 297.0 million, respectively. The increase in revenue of approximately 56% was mainly attributable to the recovery of the market for SMT equipment.

Loss from operations before income taxes

Loss from operations before income taxes of the Target Group for the financial years ended 30 September 2009 and 30 September 2010 were EUR 142.8 million and EUR 7.2 million, respectively. The financial years ended 30 September 2009 and 30 September 2010 were negatively affected by costs incurred in connection with restructuring activities amounting to EUR 56.8 million and EUR 12.3 million, respectively. If these gross restructuring expenses were excluded, the loss from operations before income taxes for the financial year ended 30 September 2009 would be EUR 86.0 million. The performance improvement in the financial year ended 30 September 2010 was the result of the ability of the Target Group to participate in the positive market development and cost reductions resulting from the successful implementation of restructuring measures. If the gross restructuring expenses of EUR 12.3 million incurred in the financial year ended 30 September 2010 were excluded, the profit from operations before income taxes would be EUR 5.1 million.

Analysis on the financial position

Financial position

The total assets of the Target Group were EUR 223.0 million as of 30 September 2009 and increased to EUR 300.7 million as of 30 September 2010 mainly due to an increase in cash and cash equivalents, trade receivables and inventories.

As of 30 September 2009, the Target Group had total liabilities of EUR 166.9 million which increased to EUR 225.8 million as of 30 September 2010 primarily due to an increase in current liabilities in connection with restructuring activities and due to an increase in payables to Siemens group.

Liquidity, capital structure and other financial resources

Historically, the Target Group has generally financed its business with internally generated cash flows and financial support from the Seller. Capital injections from the shareholder in the financial years ended 30 September 2009 and 30 September 2010 were approximately EUR 122.4 million and EUR 36.7 million.

As of 30 September 2009 and 30 September 2010 the gearing ratio of the Target Group was 75% and 75%, respectively. The calculation of this ratio is based on its total liabilities divided by total assets.

Cash and cash equivalents were EUR 40.5 million and EUR 114.2 million as of 30 September 2009 and 30 September 2010, respectively. The increase of EUR 73.7 million year on year was mainly due to capital injections and a positive impact resulting from the cessation of participation in the cash pooling arrangements of the Seller at the beginning of the financial year ended 30 September 2010.

The activities of the Target Group were mainly financed internally by the Seller. Therefore, no long-term loan commitments were incurred.

As of 30 September 2009 and 30 September 2010, the Target Group's short-term loan exposure with banks amounted to EUR 1.0 million and EUR 0.9 million, respectively.

Net cash used in operating activities in the amount of EUR 19.5 million in the financial year ended 30 September 2010 has improved significantly compared to the financial year ended 30 September 2009 (where net cash amounting to EUR 93.7 million was used in operating activities) and is based mainly on a much lower net loss in the financial year ended 30 September 2010 as compared to the financial year ended 30 September 2009.

Contingent liabilities

The Target Group did not have any material contingent liabilities as of 30 September 2009 and 30 September 2010.

Investments

The Target Group did not hold investments in any other entity in the financial years ended 30 September 2009 and 30 September 2010 and does not plan to make material investments in other entities or capital assets in the coming year.

Foreign exchange risk management

The Target Group is exposed to foreign currency exchange fluctuation risk as part of its business is carried out in US dollar. In the financial years ended 30 September 2009 and 30 September 2010 the Target Group entered into foreign currency forward contracts to hedge against exchange rate fluctuations.

Employees

Total personnel costs for the financial years ended 30 September 2009 and 30 September 2010 were EUR 113.3 million and EUR 100.1 million respectively, which included part of the restructuring expense, severance payments and other employee termination benefits, of EUR15.3 million and EUR12.3 million recorded in the respective years. The total number of employees in the financial years ended 30 September 2009 and 30 September 2010 averaged 1,523 and 1,225, respectively.

The current remuneration policy of the Target Group allows for payments based on the performance of the Target Group and individual employees. It also provides for training and other benefits such as retirement funds to its staff to sustain its competitiveness.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Based on the unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Financial Information**") as set out in Appendix III to this circular, if the Acquisition had been completed on 30 June 2010, the total assets of the Enlarged Group would have increased by approximately HK$2,607.6 million from approximately HK$5,908.1 million to approximately HK$8,515.7 million, the total liabilities of the Enlarged Group would have increased by approximately HK$1,711.3 million from approximately HK$1,915.5 million to approximately HK$3,626.8 million.

The Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2010 or any future date. Moreover, since the actual fair values of the assets, liabilities and contingent liabilities of the Target Group upon Completion would be different from their estimated fair values used in the preparation of the Pro Forma Financial Information, the actual financial effects of the Acquisition might be materially different from the financial position as shown in Appendix III to this circular.

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company and the financial statements of the Target Companies will be consolidated in the accounts of the Group after Completion. The Directors anticipate that the Target Group will make a significant contribution to the profits of the Group in the foreseeable future.

FINANCIAL AND TRADING PROSPECTS

The Group

The Group is one of the top players in the semiconductor industry. The customer base of the Group is well spread out, with China being its largest market. China, Taiwan, South Korea and Malaysia are the greatest contributors to its sales. The Group's confidence in the growing demand for LEDs in backlighting as well as general lighting has encouraged it to increase its range of equipment offered for LED applications beyond its present product line-up. The Group currently has a near full range of equipment to support the assembly of LED and aims to further develop LED lead frames and packages for high-brightness LEDs. Its target is to become a total solution provider to the LED market in the near future.

The Directors expect that demand for consumer electronics will remain a major stimulus for the Group's growth in the near future. In particular, the Directors are of the view that the recent upswing in demand demonstrates the presence of a large group of consumers in China and elsewhere who are feeding the growth of consumer electronics to meet their lifestyle needs. These sources of demand are expected to continue to drive demand for the Group's products in the coming years.

In addition, the Directors anticipate that increases in corporate investment and business spending and infrastructure projects by the various governments will further support recovery in the global economy, including the semiconductor industry and the equipment industry.

As the Group is operating in the semiconductor industry, the financial results of the Group would be affected by seasonal patterns and cyclical factors affecting the semiconductor industry.

The Target Group

The SMT market experienced a strong market recovery in 2010 which led to high order entries for the Target Group from all over the world. The Chinese market is especially fast growing and continuing to gain importance.

The Target Group successfully released a new high speed machine in the financial year ended 30 September 2010. The main improvement compared to its previous products is in the speed of the machine which significantly increases performance as compared to its footprint, combined with additional features to improve line performance.

In order to meet different market requirements in China, a special edition of the Target Group's new product line was developed. This new product line is expected to contribute positively to operating results in the future. In order to maintain and strengthen its leading position in the high-end SMT market, following Completion the Directors intend to procure that the Target Group spend continuously a portion of about 10% of its revenues on research and development.

Beside supporting the in-sourcing activities together with the Group, the main focus of the Target Group's innovation activities in the financial year ending 30 September 2011 will be in developing a machine to complete the high speed SX line of machines as well as the development of several new features to enhance the SX platform and portfolio.

In the last few years the Target Group streamlined its production process and went through various cost reduction programs. Although most of the defined measures have already been implemented, some are expected to become fully effective in future years. During the implementation phase, additional one-time costs may be incurred temporarily.

The loss of the brand "SIPLACE" may constitute a future risk with regards to sales volumes and price level as the Target Group will only be allowed to use the brand "SIPLACE" for five years. Therefore, increased marketing efforts might be necessary to transfer the brand reputation of SIPLACE products to the respective products, sold under the brand of the Target Group.

Since a substantial part of the global revenues of the Target Group are generated in US dollars while the headquarter and its main production site of the Target Group are located in Germany, changing foreign currency translation rates may have material effects on future results. Although revenues in US dollars are generally hedged using forward exchange contracts, long-term distortions cannot fully be compensated.

RE-ELECTION OF RETIRING DIRECTORS

In relation to Resolutions 2 and 3 as set out in the notice of the EGM, Mr. Charles Dean del Prado and Mr. Petrus Antonius Maria van Bommel will retire from office as Non-Executive Directors at the EGM and, being eligible, will offer themselves for re-election pursuant to articles 117 of the Articles.

Biographical details of the above retiring Directors proposed for re-election which are required to be disclosed pursuant to the Listing Rules, are set out in Appendix V to this circular.

EXTRAORDINARY GENERAL MEETING

As at least one of the relevant percentage ratios under Rule 14.07 the Listing Rules in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholder has a material interest in the Acquisition Agreement or the transactions contemplated thereunder. As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition, pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval can be accepted in lieu of holding a general meeting provided that no qualified opinion is issued by auditors in respect of the financial results of the SEAS Business for the last three financial years, namely the financial years ended 30 September 2008, 30 September 2009 and 30 September 2010 respectively. However, the auditors' opinion for the audited Combined Financial Statements of the SEAS Business for the financial year ended 30 September 2009 was qualified because of a lack of comparative financial data for the prior period. Accordingly, the Company is required to convene the EGM in compliance with Rule 14.86 of the Listing Rules.

The ultimate controlling Shareholder of the Company, ASM International N.V., through its wholly-owned subsidiary, ASM Pacific Holdings B.V., is interested in 207,427,500 shares in the Company, representing approximately 52.36% of the total issued share capital of the Company as at the Latest Practicable Date and has given an irrevocable undertaking to the Seller that it shall vote, or cause ASM Pacific Holding B.V. to vote, in favour of all resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder.

A notice convening the EGM to be held on 6 January 2011 at 3:00 p.m. at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong is set out at the end of this circular. If you do not intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business in Hong Kong at 12/F Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

The Board is of the view that the terms of the Acquisition Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Further, the Board considers the re-election of the retiring Directors is in the interests of the Company and the Shareholders as a whole. The Board recommends that the Shareholders vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By Order of the Board
ASM Pacific Technology Limited
Lee Wai Kwong
Director

1. SUMMARY OF AUDITED FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated results and assets and liabilities of the Group for the three years ended 31 December 2007, 2008 and 2009 as extracted from the respective published audited financial statements of the Group, prepared in accordance with HKFRS and such other information as required by Rule 14.67(4) of the Listing Rules. No qualified opinions have been expressed on the financial statements containing the financial information set out below.

FINANCIAL SUMMARY

Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2009	2008	2007
	HK$'000	HK$'000	HK$'000
Turnover	4,732,174	5,258,413	5,392,661
Cost of sales	(2,776,579)	(3,163,227)	(3,039,251)
Gross profit	1,955,595	2,095,186	2,353,410
Other income	7,729	11,833	26,860
Selling and distribution expenses	(417,324)	(465,509)	(440,043)
General and administrative expenses	(166,509)	(195,751)	(180,961)
Research and development expenses	(307,467)	(358,734)	(318,525)
Other losses and gains	(6,254)	16,541	9,456
Finance costs	–	(2)	(72)
Profit before taxation	1,065,770	1,103,564	1,450,125
Income tax expense	(130,332)	(129,891)	(180,628)
Profit for the year	935,438	973,673	1,269,497
Exchange differences on translation of foreign operations, representing other comprehensive income/(expense) for the year	2,338	(13,825)	8,352
Total comprehensive income for the year	937,776	959,848	1,277,849
Earnings per share			
– Basic	HK$2.38	HK$2.49	HK$3.26
– Diluted	HK$2.37	HK$2.48	HK$3.25

Consolidated Statement of Financial Position

	At 31 December 2009 HK$'000	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	890,456	1,004,105	995,963
Prepaid lease payments	7,901	8,321	9,255
Deposits paid for acquisition of property, plant and equipment	19,339	12,434	31,401
Deferred tax assets	21,057	9,993	4,140
	938,753	1,034,853	1,040,759
Current assets			
Inventories	1,003,945	900,958	912,347
Trade and other receivables	1,572,752	1,003,243	1,328,748
Prepaid lease payments	494	489	514
Bank balances and cash	1,253,872	845,521	778,183
	3,831,063	2,750,211	3,019,792
Current liabilities			
Trade and other payables	1,167,831	647,940	921,580
Taxation	191,354	271,112	187,324
	1,359,185	919,052	1,108,904
Net current assets	2,471,878	1,831,159	1,910,888
	3,410,631	2,866,012	2,951,647
Capital and reserves			
Share capital	39,439	39,236	39,063
Dividend reserve	631,027	196,178	585,942
Other reserves	2,739,610	2,628,686	2,325,114
Equity attributable to owners of the Company	3,410,076	2,864,100	2,950,119
Non-current liabilities			
Deferred tax liabilities	555	1,912	1,528
	3,410,631	2,866,012	2,951,647

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following is an extract of the financial statements of the Group from the latest annual report for the year ended 31 December 2009:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	*7*	4,732,174	5,258,413
Cost of sales		(2,776,579)	(3,163,227)
Gross profit		1,955,595	2,095,186
Other income		7,729	11,833
Selling and distribution expenses		(417,324)	(465,509)
General and administrative expenses		(166,509)	(195,751)
Research and development expenses	*9*	(307,467)	(358,734)
Other losses and gains	*10*	(6,254)	16,541
Finance costs	*11*	–	(2)
Profit before taxation		1,065,770	1,103,564
Income tax expense	*12*	(130,332)	(129,891)
Profit for the year	*13*	935,438	973,673
Exchange differences on translation of foreign operations, representing other comprehensive income (expense) for the year		2,338	(13,825)
Total comprehensive income for the year		937,776	959,848
Earnings per share	*18*		
– Basic		HK$2.38	HK$2.49
– Diluted		HK$2.37	HK$2.48

Consolidated Statement of Financial Position
At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	19	890,456	1,004,105
Prepaid lease payments	20	7,901	8,321
Deposits paid for acquisition of property, plant and equipment		19,339	12,434
Deferred tax assets	27	21,057	9,993
		938,753	1,034,853
Current assets			
Inventories	21	1,003,945	900,958
Trade and other receivables	22	1,572,752	1,003,243
Prepaid lease payments	20	494	489
Bank balances and cash	23	1,253,872	845,521
		3,831,063	2,750,211
Current liabilities			
Trade and other payables	24	1,167,831	647,940
Taxation		191,354	271,112
		1,359,185	919,052
Net current assets		2,471,878	1,831,159
		3,410,631	2,866,012
Capital and reserves			
Share capital	25	39,439	39,236
Dividend reserve		631,027	196,178
Other reserves		2,739,610	2,628,686
Equity attributable to owners of the Company		3,410,076	2,864,100
Non-current liabilities			
Deferred tax liabilities	27	555	1,912
		3,410,631	2,866,012

Consolidated Statement of Changes in Equity
For the year ended 31 December 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Employees 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 2008	39,063	294,001	–	155	72,979	(60,398)	2,018,377	585,942	2,950,119
Profit for the year	–	–	–	–	–	–	973,673	–	973,673
Exchange differences on translation of foreign operations	–	–	–	–	–	(13,825)	–	–	(13,825)
Total comprehensive income for the year	–	–	–	–	–	(13,825)	973,673	–	959,848
Sub-total	39,063	294,001	–	155	72,979	(74,223)	2,992,050	585,942	3,909,967
Recognition of equity-settled share based payments	–	–	86,954	–	–	–	–	–	86,954
Shares issued under the Employee Share Incentive Scheme	173	86,781	(86,954)	–	–	–	–	–	–
2007 final dividend paid	–	–	–	–	–	–	–	(429,691)	(429,691)
2007 second special dividend paid	–	–	–	–	–	–	–	(156,251)	(156,251)
2008 interim dividend paid	–	–	–	–	–	–	(351,565)	–	(351,565)
2008 first special dividend paid	–	–	–	–	–	–	(195,314)	–	(195,314)
2008 final dividend proposed	–	–	–	–	–	–	(196,178)	196,178	–
At 31 December 2008 and 1 January 2009	39,236	380,782	–	155	72,979	(74,223)	2,248,993	196,178	2,864,100
Profit for the year	–	–	–	–	–	–	935,438	–	935,438
Exchange differences on translation of foreign operations	–	–	–	–	–	2,338	–	–	2,338
Total comprehensive income for the year	–	–	–	–	–	2,338	935,438	–	937,776
Sub-total	39,236	380,782	–	155	72,979	(71,885)	3,184,431	196,178	3,801,876
Recognition of equity-settled share-based payments	–	–	39,792	–	–	–	–	–	39,792
Shares issued under the Employee Share Incentive Scheme	203	39,589	(39,792)	–	–	–	–	–	–
2008 final dividend paid	–	–	–	–	–	–	–	(196,178)	(196,178)
2009 interim dividend paid	–	–	–	–	–	–	(78,471)	–	(78,471)
2009 first special dividend paid	–	–	–	–	–	–	(156,943)	–	(156,943)
2009 final dividend proposed	–	–	–	–	–	–	(473,270)	473,270	–
2009 second special dividend proposed	–	–	–	–	–	–	(157,757)	157,757	–
At 31 December 2009	39,439	420,371	–	155	72,979	(71,885)	2,317,990	631,027	3,410,076

Consolidated Statement of Cash Flows
For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before taxation	1,065,770	1,103,564
Adjustments for:		
Depreciation	225,941	219,468
Loss (gain) on disposal of property, plant and equipment	98	(2,960)
Release of prepaid lease payments	494	489
Share-based payments under the Employee Share Incentive Scheme	39,792	86,954
Interest income	(5,196)	(12,030)
Interest expense	–	2
Operating cash flows before movements in working capital	1,326,899	1,395,487
(Increase) decrease in inventories	(102,600)	16,713
(Increase) decrease in trade and other receivables	(569,933)	333,857
Increase (decrease) in trade and other payables	519,231	(270,591)
Effect of foreign exchange rate changes on inter-company balances	(254)	(19,867)
Cash generated from operations	1,173,343	1,455,599
Income taxes paid	(222,339)	(57,286)
Income taxes refunded	811	4,787
Interest paid	–	(2)
Net cash from operating activities	951,815	1,403,098
Investing activities		
Interest received	5,196	12,030
Proceeds from disposal of property, plant and equipment	307	5,016
Purchase of property, plant and equipment	(98,140)	(209,679)
Deposits paid for acquisition of property, plant and equipment	(19,339)	(12,434)
Net cash used in investing activities	(111,976)	(205,067)
Cash used in financing activity		
Dividends paid	(431,592)	(1,132,821)
Net increase in cash and cash equivalents	408,247	65,210
Cash and cash equivalents at beginning of the year	845,521	778,183
Effect of foreign exchange rate changes	104	2,128
Cash and cash equivalents at end of the year, represented by bank balances and cash	1,253,872	845,521

Notes to the Consolidated Financial Statements
For the year ended 31 December 2009

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company is ASM Pacific Holding B.V. and its ultimate holding company is ASM International N.V. ("ASM International"), companies incorporated in the Netherlands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of machines, tools and materials used in semiconductor industry.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has changed the basis of measurement of the Group's segment profit or loss (see note 8). However, the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[7]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) – INT 14 (Amendment)	Prepayments to a minimum funding requirement[3]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendment that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 January 2010.
6 Effective for annual periods beginning on or after 1 January 2013.
7 Effective for annual periods beginning on or after 1 July 2010.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment will be effective from 1 January 2010, with earlier application permitted. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendment to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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. Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and released over the lease term on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Loans and receivables assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of loans and receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities, including trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated equity (translation reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Share-based payment transactions

Equity-settled share-based payment transactions

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

At the end of the reporting period, the Group revised its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

At the time when the shares are subsequently vested and issued, the amount previously recognised in the employee share-based compensation reserve will be transferred to share capital and share premium.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to expense items are recognised in the same period as those expenses are charged to profit or loss and are deducted in the reporting of the related expenses. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. As at 31 December 2009, the carrying amount of inventories was HK$1,003,945,000. The management reviews the inventory age listing on a periodical basis to identify slow-moving, obsolete and defective inventories. The management estimates that the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The amount of allowance would be changed as a result of changes in current market conditions and technology subsequently.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,797,301	1,835,967
Financial liabilities		
Amortised costs	902,028	499,685

Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, trade and other receivables, and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 66% and 82% of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the group entities making the sales and the purchases.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Currency	Assets 2009 HK$'000	Assets 2008 HK$'000	Liabilities 2009 HK$'000	Liabilities 2008 HK$'000
US dollars	US$	1,505,730	1,145,623	336,306	162,700
Renminbi	RMB	248,655	96,175	153,055	50,507
Japanese Yen	JPY	151,293	67,029	134,561	60,539
Singapore dollars	SG$	39,822	28,574	60,216	56,071
Others		54,435	18,078	63,244	24,093

Majority of its foreign currency sales are denominated in US dollars which are linked up with Hong Kong dollars, where Hong Kong dollars is the functional currency of the Group entities. The Group has limited currency exposure to US dollars. On the other hand, the disbursements were mainly in US dollars, Hong Kong dollars and Renminbi, which are the functional currencies of the relevant group entities. The currency risk of some limited Japanese Yen-based receivables was eliminated against some Japanese Yen trade payables. The management conducts periodic review of the exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

Sensitivity analysis

The Group is mainly exposed to Renminbi, Japanese Yen and Singapore dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of the group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of the functional currency of the relevant group entities against the relevant currency and a positive and negative number below indicates an increase and a decrease in profit respectively. For a 5% weakening of the functional currency of the relevant group entities against the relevant currency, there would be an equal and opposite impact on the profit.

	Renminbi impact 2009 HK$'000	Renminbi impact 2008 HK$'000		Japanese Yen impact 2009 HK$'000	Japanese Yen impact 2008 HK$'000		Singapore dollars impact 2009 HK$'000	Singapore dollars impact 2008 HK$'000	
(Decrease) increase on post tax profit	(4,780)	(2,283)	(i)	(837)	(325)	(ii)	1,020	1,375	(iii)

(i) This is mainly attributable to the exposure on outstanding bank balances, other receivables, trade and other payables denominated in Renminbi at the year end.

(ii) This is mainly attributable to the exposure on outstanding bank balances and trade payables denominated in Japanese Yen at the year end.

(iii) This is mainly attributable to the exposure on outstanding bank balances, other receivables, trade and other payables denominated in Singapore dollars at the year end.

Interest rate risk

The interest income is derived from the Group's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in Hong Kong and overseas countries.

The cash flow interest rate risk relates primary to the Group's bank deposits (set out in note 23) carried at prevailing market rates. The Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the Mainland China with high credit-ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

7. TURNOVER

Turnover represents the amounts received and receivable for goods sold to customers during the year, less returns.

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the measurement of segment results has changed.

The Group has two reportable segments: sales of equipment and lead frame. They represent two major types of products manufactured by the Group. In prior year, the segment results represent the profit before taxation earned by each segment without allocation of interest income and finance costs. However, information reported to the chief operating decision maker for the purpose of resources allocation and assessment of performance is different. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income and unallocated corporate expenses.

Information regarding these segments is presented below. The segment results reported for the prior year have been restated to conform with the requirements of HKFRS 8.

Segment revenues and results

The following is an analysis of the Group's turnover and results by reportable segment:

	2009 HK$'000	2008 HK$'000 (restated)
Segment revenue from external customers		
Equipment	3,639,774	4,104,507
Lead frame	1,092,400	1,153,906
	4,732,174	5,258,413
Segment profit		
Equipment	948,622	1,056,197
Lead frame	152,974	52,185
	1,101,596	1,108,382
Interest income	5,196	12,030
Finance costs	–	(2)
Unallocated other income	725	13,644
Unallocated corporate expenses	(41,747)	(30,490)
Profit before taxation	1,065,770	1,103,564

No analysis of the Group's assets and liabilities by operating segments is disclosed as they are not regularly provided to the chief operating decision maker for review.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before taxation earned by each segment, excluding interest income, finance costs, unallocated other income and unallocated corporate expenses. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

All of the segment revenue reported above is from external customers.

Other segment information

2009

	Equipment HK$'000	Lead frame HK$'000	Consolidated HK$'000
Amounts regularly provided to chief operating decision maker:			
Capital additions	72,256	38,318	110,574
Amounts included in the measure of segment profit:			
Depreciation of property, plant and equipment	143,192	82,749	225,941
Release of prepaid lease payments	50	444	494
(Gain) loss on disposal of property, plant and equipment	(90)	188	98

2008

	Equipment HK$'000	Lead frame HK$'000	Consolidated HK$'000
Amounts regularly provided to chief operating decision maker:			
Capital additions	150,247	90,833	241,080
Amounts included in the measure of segment profit:			
Depreciation of property, plant and equipment	149,183	70,285	219,468
Release of prepaid lease payments	422	67	489
Gain on disposal of property, plant and equipment	(2,528)	(432)	(2,960)

The information of the Group's non-current assets by geographical location are detailed below:

	Non-current assets 2009 HK$'000	2008 HK$'000
Mainland China	521,144	574,590
Malaysia	198,495	197,170
Singapore	151,662	189,050
Hong Kong	40,922	58,962
Taiwan	2,308	2,503
Europe	1,032	366
Others	2,133	2,219
	917,696	1,024,860

Note: Non-current assets excluded deferred tax assets.

Geographical information by location of market

	Turnover 2009 HK$'000	2008 HK$'000
Mainland China	1,589,767	1,860,038
Taiwan	948,264	888,940
Korea	702,820	308,033
Malaysia	466,102	707,276
Thailand	268,735	277,771
Philippines	237,221	239,359
Hong Kong	177,253	355,402
United States of America	164,332	158,450
Japan	62,805	197,335
Singapore	55,705	144,990
Europe	38,266	79,646
Others	20,904	41,173
	4,732,174	5,258,413

The revenue from individual customer contributes less than 10% of the total sales of the Group.

9. RESEARCH AND DEVELOPMENT EXPENSES

Included in research and development expenses are depreciation for property, plant and equipment of HK$9,733,000 (2008: HK$8,173,000) and rental of land and buildings under operating leases of HK$7,461,000 (2008: HK$6,406,000).

10. OTHER LOSSES AND GAINS

	2009 HK$'000	2008 HK$'000
The (losses) gains comprise:		
(Loss) gain on disposal of property, plant and equipment	(98)	2,960
Net foreign exchange (loss) gain	(6,156)	13,581
	(6,254)	16,541

11. FINANCE COSTS

The amount represented interest on notes payable to a bank wholly repayable within five years.

12. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	109,241	117,380
Other jurisdictions	31,344	18,158
	140,585	135,538
(Over) underprovision in prior years:		
Hong Kong	(99)	(32)
Other jurisdictions	2,194	133
	2,095	101
Deferred tax credit *(note 27)*		
Current year	(12,348)	(5,748)
	130,332	129,891

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 rates for the Group's subsidiaries in the PRC range from 20% to 25% (2008: 18% to 25%). During the year ended 31 December 2009, pursuant to the EIT Law, one of the Group's PRC subsidiaries changed the residual value of property, plant and equipment for tax purpose from 10% to 0%. The effect on deferred tax balance arising from the change amounting to HK$9,191,000 was credited to profit or loss.

The Group's profit arising from the manufacturing of semiconductor equipment and materials in Singapore is non-taxable under a tax incentive covering certain new products under the Manufacturing Headquarters ("MH") 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 fulfillment of certain criteria during the period.

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

The tax charge for the year can be reconciled to the profit before taxation in the consolidated statement of comprehensive income as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	1,065,770	1,103,564
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	175,852	182,088
Tax effect of expenses not deductible in determining taxable profit	1,679	2,308
Tax effect of income not taxable in determining taxable profit	(1,937)	(5,543)
Tax effect of tax losses not recognised	13,915	7,154
Utilisation of tax losses previously not recognised	(863)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13,987)	(25,628)
Effect of tax exemption under the MH status	(36,965)	(32,101)
Other temporary difference arising from change in the EIT Law	(9,191)	–
Underprovision in prior years	2,095	101
Others	(266)	1,512
Tax charge for the year	130,332	129,891

Note: The domestic income tax rate (which is the Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the year ended 31 December 2009 seeking information relating to 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. The Group purchased tax reserve certificates amounting to HK$101,000,000 (2008: HK$73,000,000), as disclosed in note 22.

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

13. PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	5,420	6,586
Depreciation for property, plant and equipment	225,941	219,468
Employee benefits expense, including directors' emoluments	975,147	1,194,646
Minimum lease payments for land and buildings under operating leases	48,527	47,043
Release of prepaid lease payments	494	489
Shipping and handling expenses (included in selling and distribution expenses)	23,019	28,280
and after crediting:		
Government grants *(Note)*	12,649	428
Interest income on bank deposits	5,196	12,030

Note: Government grants included an amount of HK$10,672,000 (2008: nil) which has been received in the current year towards employment subsidy under the Jobs Credit Scheme in Singapore. This amount has been deducted in reporting staff costs for the year. The remaining amount represents mainly government grants received from government authorities in Mainland China.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2008: nine) directors were as follows:

	Year ended 31 December 2009										
	Arthur H. del Prado HK$'000	Robert A. Ruijter HK$'000	Arnold J.M. van der Ven HK$'000	Lee Wai Kwong HK$'000	Lo Tsan Yin, Peter HK$'000	Chow Chuen, James HK$'000	Tang Koon Hung, Eric HK$'000	Orasa Livasiri HK$'000	Lee Shiu Hung, Robert HK$'000	Lok Kam Chong, John HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	–	300	300	300	900
Other emoluments											
Salaries and other benefits	–	–	–	5,757	5,282	3,865	2,805	–	–	–	17,709
Contributions to retirement benefits schemes	–	–	–	199	12	269	12	–	–	–	492
Performance related incentive bonus payments *(Note)*	–	–	–	1,738	1,750	1,400	315	–	–	–	5,203
Total emoluments	–	–	–	7,694	7,044	5,534	3,132	300	300	300	24,304

	Year ended 31 December 2008									
	Arthur H. del Prado HK$'000	Arnold J.M. van der Ven HK$'000	Lee Wai Kwong HK$'000	Lo Tsan Yin, Peter HK$'000	Chow Chuen, James HK$'000	Tang Koon Hung, Eric HK$'000	Orasa Livasiri HK$'000	Lee Shiu Hung, Robert HK$'000	Lok Kam Chong, John HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	300	300	300	900
Other emoluments										
Salaries and other benefits	–	–	9,366	8,600	6,336	4,989	–	–	–	29,291
Contributions to retirement benefits schemes	–	–	216	295	280	12	–	–	–	803
Performance related incentive bonus payments *(Note)*	–	–	2,487	2,500	2,000	450	–	–	–	7,437
Total emoluments	–	–	12,069	11,395	8,616	5,451	300	300	300	38,431

Note: The performance related incentive bonus payment is determined with reference to the operating results, individual performance and comparable market statistics in both years.

For the year ended 31 December 2009, 334,000 shares (2008: 334,000 shares) of the Company were issued to certain executive directors under the Employee Share Incentive Scheme (the "Scheme"), and the fair value of these shares amounting to HK$6,530,000 (2008: HK$16,800,000) at the grant date was included in salaries and other benefits above.

No directors waived any emoluments in both years.

15. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included four (2008: four) directors, details of whose emoluments are set out in note 14. The emoluments of the remaining one (2008: one) individual were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	2,851	4,385
Contributions to retirement benefits schemes	91	125
Performance related incentive bonus payments	299	432
	3,241	4,942

For the year ended 31 December 2009, 45,000 shares (2008: 45,000 shares) of the Company were issued to the relevant highest-paid employee under the Scheme, and the fair value of these shares amounting to HK$880,000 (2008: HK$2,264,000) at the grant date was included in salaries and other benefits above.

16. RETIREMENT BENEFITS PLANS

The Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans. The plans for employees in Hong Kong are registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 12.5% of the employee's basic salary, depending on the length of services with the Group.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs amounting to HK$20,000 per employee, which contribution is matched by the employees.

The employees of the Group in Mainland China, Singapore and Malaysia are members of state-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions. The assets of the schemes are held separately from those of the Group in funds under the control of trustees, and in the case of Singapore and Malaysia, by the Central Provident Fund Board of Singapore and Employee Provident Fund of Malaysia respectively.

The amount charged to the profit or loss of HK$65,783,000 (2008: HK$65,914,000) represents contributions paid and payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$190,000 (2008: HK$280,000) arising from employees leaving the Group prior to completion of qualifying service period.

At 31 December 2009, there was forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years amounting to HK$16,000 (2008: nil).

17. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year		
Interim dividend for 2009 of HK$0.20 (2008: HK$0.90) per share on 392,356,700 (2008: 390,628,000) shares	78,471	351,565
First special dividend for 2009 of HK$0.40 (2008: HK$0.50) per share on 392,356,700 (2008: 390,628,000) shares	156,943	195,314
Final dividend for 2008 of HK$0.50 (2008: final dividend for 2007 paid of HK$1.10) per share on 392,356,700 (2008: 390,628,000) shares	196,178	429,691
Second special dividend for 2007 of HK$0.40 per share on 390,628,000 shares	–	156,251
	431,592	1,132,821
Dividend declared after the year end		
Proposed final dividend for 2009 of HK$1.20 (2008: HK$0.50) per share on 394,392,100 (2008: 392,356,700) shares	473,270	196,178
Proposed second special dividend for 2009 of HK$0.40 per share on 394,392,100 shares (2008: nil)	157,757	–
	631,027	196,178

The final dividend of HK$1.20 and the second special dividend of HK$0.40 (2008: final dividend of HK$0.50) per share have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

18. 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:

	2009 HK$'000	2008 HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the year)	935,438	973,673

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	392,451	390,708
Effect of dilutive potential shares from the Employee Share Incentive Scheme	1,622	1,383
Weighted average number of ordinary shares for the purposes of diluted earnings per share	394,073	392,091

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2008	308,983	349,532	1,881,269	27,910	–	2,567,694
Exchange adjustment	(7,220)	(35)	(10,857)	(197)	–	(18,309)
Additions	–	34,856	202,667	3,557	–	241,080
Disposals	–	(17,304)	(14,100)	(101)	–	(31,505)
At 31 December 2008	301,763	367,049	2,058,979	31,169	–	2,758,960
Exchange adjustment	1,248	146	1,952	200	–	3,546
Additions	–	8,948	98,296	1,202	2,128	110,574
Disposals	(16)	(862)	(25,551)	(233)	–	(26,662)
At 31 December 2009	302,995	375,281	2,133,676	32,338	2,128	2,846,418
DEPRECIATION						
At 1 January 2008	131,809	254,934	1,166,933	18,055	–	1,571,731
Exchange adjustment	(1,527)	(188)	(5,081)	(99)	–	(6,895)
Provided for the year	13,025	37,934	167,001	1,508	–	219,468
Eliminated on disposals	–	(17,232)	(12,116)	(101)	–	(29,449)
At 31 December 2008	143,307	275,448	1,316,737	19,363	–	1,754,855
Exchange adjustment	274	124	894	98	–	1,390
Provided for the year	13,073	42,146	168,886	1,836	–	225,941
Eliminated on disposals	(3)	(853)	(25,174)	(194)	–	(26,224)
At 31 December 2009	156,651	316,865	1,461,343	21,103	–	1,955,962
CARRYING VALUES						
At 31 December 2009	146,344	58,416	672,333	11,235	2,128	890,456
At 31 December 2008	158,456	91,601	742,242	11,806	–	1,004,105

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	4.2% to 4.5%
Leasehold improvements	33⅓%
Plant and machinery	10% to 33⅓%
Furniture, fixtures and equipment	10% to 20%

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent property interests in leasehold land outside Hong Kong under medium-term leases.

Analysed for reporting purposes as:

	2009 HK$'000	2008 HK$'000
Current	494	489
Non-current	7,901	8,321
	8,395	8,810

21. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	286,936	221,667
Work in progress	559,795	528,991
Finished goods	157,214	150,300
	1,003,945	900,958

22. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	1,357,057	855,053
Amounts due from ASM International – trade *(Note a)*	32	–
Other receivables, deposits and prepayments *(Note b)*	114,663	75,190
Tax reserve certificate recoverable	101,000	73,000
	1,572,752	1,003,243

An aging analysis of trade receivables is as follows:		
Not yet due	978,543	546,857
Overdue within 30 days	202,379	121,404
Overdue within 31 to 60 days	107,160	76,278
Overdue within 61 to 90 days	31,052	57,678
Overdue over 90 days	37,923	52,836
	1,357,057	855,053

Notes:

(a) Amount due from ASM International is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

(b) The amount included VAT receivables amounting to HK$67,067,000 (2008: HK$37,422,000).

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

Included in the Group's trade receivables are debtors with aggregate amount of HK$378,514,000 (2008: HK$308,196,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, those trade receivables that are past due but not impaired are generally recoverable. The trade and other receivables that are neither past due nor impaired are of good credit quality.

23. BANK BALANCES AND CASH

Bank balances

Bank balances, current and fixed deposits carry interest at market rates which ranges from 0.001% to 2.325% (2008: 0.01% to 4.8%) per annum.

24. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	737,116	324,631
Amounts due to subsidiaries of ASM International – trade *(Note a)*	277	185
Other payables and accrued charges *(Note b)*	430,438	323,124
	1,167,831	647,940
An aging analysis of trade payables is as follows:		
Not yet due	497,834	74,635
Overdue within 30 days	189,557	107,776
Overdue within 31 to 60 days	39,075	84,774
Overdue within 61 to 90 days	4,284	36,480
Overdue over 90 days	6,366	20,966
	737,116	324,631

Notes:

(a) Amounts due to subsidiaries of ASM International are not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

(b) The amount included deposits received from customers amounting to HK$136,835,000 (2008: HK$60,369,000).

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

25. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2009	2008	2009	2008
	’000	’000	HK$’000	HK$’000
Issued and fully paid:				
At 1 January	392,357	390,628	39,236	39,063
Shares issued under the Scheme	2,035	1,729	203	173
At 31 December	394,392	392,357	39,439	39,236

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

During the year, 2,035,400 (2008: 1,728,700) shares were issued at par to eligible employees and members of management under the Scheme.

26. EMPLOYEE SHARE INCENTIVE SCHEME

The Scheme is for the benefit of the Group’s employees and members of management and has a life of 10 years starting from March 1990. On 25 June 1999, at an extraordinary general meeting of the Company, the shareholders approved to extend the period of the Scheme for a further term of 10 years up to 23 March 2010 and allow up to 5% of the issued share capital of the Company from time to time, excluding any shares of the Company subscribed for or purchased pursuant to the Scheme since 23 March 1990, to be subscribed for or purchased pursuant to the Scheme during the extended period.

At the annual general meeting of the Company held on 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to 23 March 2020 and allow up to 7.5% of the issued share capital of the Company from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme during such extended period and that no more than 3.5% of the issued share capital of the Company from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme for the period from 24 March 2010 to 23 March 2015.

On 27 February 2008, the directors resolved to contribute HK$173,360 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,733,600 shares in the Company for the benefit of employees and members of the management of the Group upon expiration of the defined qualification period as determined by the Board of Directors. The vesting period of such grant was from 27 February 2008 to 15 December 2008. 1,728,700 of these shares entitlements were issued on 15 December 2008 and the estimated fair value of these shares at the grant date amounted to HK$86,954,000. 4,900 shares were forfeited and unallotted by the Company on the same date. The fair value was determined with reference to market value of shares at the grant date, and adjusted for the terms and conditions upon which the shares are granted.

On 2 March 2009, the directors resolved to contribute HK$205,660 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 2,056,600 shares in the Company for the benefit of employees and members of the management of the Group upon expiration of the defined qualification period as determined by the Board of Directors. The vesting period of such grant was from 2 March 2009 to 15 December 2009. 2,035,400 of these shares entitlements were issued on 15 December 2009 and the estimated fair value of these shares at the grant date amounted to HK$39,792,000. 21,200 shares were forfeited and unallotted by the Company on the same date. The fair value was determined with reference to market value of shares at the grant date, and adjusted for the terms and conditions upon which the shares are granted.

27. DEFERRED TAXATION

A summary of the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years is as follows:

	Depreciation HK$'000 (Note)	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	5,073	(2,088)	(5,597)	(2,612)
Credit to profit or loss for the year	(4,956)	–	(737)	(5,693)
Effect of changes in tax rate	(295)	–	240	(55)
Exchange differences	(6)	282	3	279
At 31 December 2008	(184)	(1,806)	(6,091)	(8,081)
(Credit) charge to profit or loss for the year	(9,322)	337	(3,363)	(12,348)
Exchange differences	2	(28)	(47)	(73)
At 31 December 2009	(9,504)	(1,497)	(9,501)	(20,502)

Note: The deferred tax arose from the temporary difference between the carrying amount of the property, plant and equipment and its tax base. As at 31 December 2009 and 2008, the tax depreciation was less than accounting depreciation. A deductible temporary difference arose, and resulted in a deferred tax asset. During the year ended 31 December 2009, one of the Group's PRC subsidiaries changed the residual value of property, plant and equipment for tax purpose from 10% to 0% and an amount of HK$9,191,000 was credited to profit or loss during the year ended 31 December 2009 (see note 12).

The following is the analysis of the deferred tax balances for the purpose of presentation in the consolidated statement of financial position:

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	555	1,912
Deferred tax assets	(21,057)	(9,993)
	(20,502)	(8,081)

At 31 December 2009, the Group had unused tax losses of HK$455,866,000 (2008: HK$421,664,000) available to offset future taxable profits. At 31 December 2009, a deferred tax asset amounting to HK$1,497,000 (2008: HK$1,806,000) was recognised for such losses and no deferred tax asset was recognised in respect of the remaining tax losses of HK$451,589,000 (2008: HK$416,504,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$75,485,000 that will expire during the year 2010 to 2018 (2008: HK$65,142,000 that will expire during the year 2009 to 2017). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been provided for in the consolidated financial statements as the amount is not significant.

28. CONTINGENT LIABILITIES

	2009 HK$'000	2008 HK$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	443	431

29. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	87,554	15,299
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	–	61,187
	87,554	76,486

30. OPERATING LEASE COMMITMENTS

At 31 December 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of property interests in land and buildings which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	47,772	39,391
In the second to fifth years inclusive	124,950	30,623
Over five years	40,111	13,972
	212,833	83,986

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties and quarters. Except for land leased from the Singapore Housing & Development Board for a period of 30 years (renewable upon expiry for a further term of 30 years), other leases are negotiated for an average term of two to five years.

31. SHARE OPTION SCHEMES

ASM International has adopted various share option schemes for the primary purpose of providing incentives to the directors and eligible employees of ASM International and its subsidiaries. Under these schemes, key employees of ASM International and its subsidiaries may purchase a specific number of shares of ASM International. Options are priced at market value in Euros or US dollars on the grant date, and are generally vesting in equal parts over a period of five years and generally will expire after five or ten years from the grant date.

A summary of the movements of share options of ASM International granted to the directors of the Company in respect of services provided to ASM International is as follows:

	Held by directors
At 1 January 2008 and 31 December 2008	248,894
Performance related vesting adjustment	(119,036)
On resignation as a director of the Company during the year	(69,417)
At 31 December 2009	60,441

The exercise price of the above outstanding options is Euro19.47 (2008: Ranged from Euro11.18 to Euro19.47).

32. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid a management fee of HK$750,000 (2008: HK$750,000) to ASM International under a consultancy agreement between ASM International and the Company, which constituted a connected transaction as defined under the Listing Rules. 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) Compensation of key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2009 HK$'000	2008 HK$'000
Short-term benefits	21,146	25,121
Post-employment benefits	743	1,094
Share-based payments	7,898	20,170
	29,787	46,385

Certain shares of the Company were issued to the key management under the Scheme. The estimated fair value of such shares were included in share-based payments for both years.

The emoluments of directors and key executives are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital		Proportion of nominal value of issued ordinary share/registered capital held by the Company		Principal activities
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
ASM Asia Limited	Hong Kong	HK$27,000	HK$1,000	100%	–	Providing purchasing services to group companies
ASM Assembly Automation Limited	Hong Kong	HK$100,000	HK$1,000	100%	–	Manufacture and sale of semiconductor equipment
ASM Assembly Equipment Bangkok Limited	Thailand	–	Baht7,000,000	–	100%	Agency and marketing service
ASM Assembly Equipment (M) Sdn. Bhd.	Malaysia	–	MYR10,000	–	100%	Agency and marketing service
先導自動器材國際貿易(上海)有限公司 (ASM Assembly Equipment Trading (Shanghai) Co., Limited)*	PRC	–	US$200,000	–	100%	Trading in semiconductor equipment
ASM Assembly Materials Limited	Hong Kong	HK$2,000,000	HK$10,000	100%	–	Trading of semiconductor materials
ASM Assembly Products B.V.	Netherlands	–	Euro18,151	100%	–	Trading in semiconductor equipment
ASM Assembly Technology Co., Limited	Japan	–	JPY10,000,000	100%	–	Trading in semiconductor equipment
先域微電子技術服務（上海）有限公司 (ASM Microelectronic Technical Services (Shanghai) Co., Limited)*	PRC	–	US$400,000	–	100%	Trading in semiconductor equipment
ASM Pacific Assembly Products, Inc.	United States of America	–	US$60,000	–	100%	Trading in semiconductor equipment
ASM Pacific (Bermuda) Limited	Bermuda	–	US$120,000	–	100%	Insurance services to group companies
ASM Pacific Investments Limited	Hong Kong	–	HK$2	100%	–	Investment holding and agency services
ASM Pacific KOR Limited	Hong Kong	–	HK$500,000	100%	–	Marketing services in Korea
先進半導體材料(深圳)有限公司 (ASM Semi-conductor Materials (Shenzhen) Co., Ltd.)*	PRC	–	US$30,500,000 (2008: US$21,921,982)	–	100%	Manufacture of semiconductor equipment and materials

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital		Proportion of nominal value of issued ordinary share/registered capital held by the Company		Principal activities
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
先進科技(中國)有限公司 (ASM Technology (China) Co., Limited)*	PRC	–	US$4,800,000 (2008: US$1,800,000)	–	100%	Research and development in semiconductor equipment
ASM Technology (M) Sdn. Bhd.	Malaysia	–	MYR74,000,000	100%	–	Manufacture of semiconductor equipment and materials
ASM Technology Singapore Pte Limited	Singapore	–	S$53,000,000	100%	–	Manufacture and sale of semiconductor equipment and materials
Edgeward Development Limited	Guernsey, Channel Islands	–	US$10,000	–	100%	Investment holding and provision of manufacturing and marketing infrastructure in Mainland China and Asia
進峰貿易(深圳)有限公司 (Edgeward Trading (Shenzhen) Limited)*	PRC	–	US$300,000	–	100%	Trading in semiconductor equipment and materials
深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Limited)	PRC	–	*(Note)*	–	*(Note)*	Manufacture of semiconductor equipment

Note: Under a joint venture agreement, the Group has committed to contribute 100% of the registered capital of HK$497,300,000 in 深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Limited) ("MET"), a co-operative joint venture company established in the PRC with a term of 10 years commencing October 1994. On 23 February 2004, the term was approved to be extended for a period of five years to October 2009. On 23 June 2009, the term was approved to be extended for a further period of seven years to October 2016. At 31 December 2009, the Group has paid up HK$497,300,000 (2008: HK$497,300,000) as registered capital of MET. The Group has to bear the entire risk and liabilities of MET and, other than an annual amount of HK$7,794,000 (2008: HK$7,399,000) attributable to assets provided by the PRC joint venture partner, is entitled to the entire profit or loss of MET. On cessation of the joint venture company, the Group will be entitled to all assets other than those provided by the PRC joint venture partner and those irremovable building improvements. The annual amount paid to the PRC joint venture partner was included in the minimum lease payments during the year. The commitment for the future payments was included in the operating lease commitments as at 31 December 2009 in note 30.

* Established as a wholly foreign owned enterprise in the PRC.

All the principal subsidiaries operate predominantly in their respective places of incorporation/establishment unless specified otherwise under the heading "principal activities".

The fixed-rate participating shares of the subsidiaries are held by ASM International. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

No debt security has been issued by any of the subsidiaries at any time during the year or is outstanding at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The following is an extract of the financial statements of the Group from the latest published interim report for the six months ended 30 June 2010:

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	HK$'000	HK$'000
Turnover	*3*	4,167,155	1,409,140
Cost of sales		(2,251,841)	(953,567)
Gross profit		1,915,314	455,573
Other income		14,390	3,714
Selling and distribution expenses		(283,969)	(152,522)
General and administrative expenses		(128,791)	(71,918)
Research and development expenses		(203,586)	(134,239)
Other gains and losses		15,663	(7,580)
Finance costs		(1)	–
Profit before taxation		1,329,020	93,028
Income tax expense	*5*	(180,655)	(18,124)
Profit for the period		1,148,365	74,904
Exchange differences on translation of foreign operations, representing other comprehensive income (expense) for the period		15,923	(2,125)
Total comprehensive income for the period		1,164,288	72,779
Earnings per share	*7*		
– Basic		HK$2.91	HK$0.19
– Diluted		HK$2.91	HK$0.19

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	At 30 June 2010 (Unaudited) HK$'000	At 31 December 2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*8*	1,032,509	890,456
Prepaid lease payments		28,318	7,901
Deposits paid for acquisition of property, plant and equipment		83,874	19,339
Deferred tax assets		20,107	21,057
		1,164,808	938,753
Current assets			
Inventories		1,168,314	1,003,945
Trade and other receivables	*9*	2,153,133	1,572,752
Prepaid lease payments		938	494
Bank balances and cash		1,420,892	1,253,872
		4,743,277	3,831,063
Current liabilities			
Trade and other payables	*10*	1,606,353	1,167,831
Taxation		308,622	191,354
		1,914,975	1,359,185
Net current assets		2,828,302	2,471,878
		3,993,110	3,410,631
Capital and reserves			
Share capital	*11*	39,439	39,439
Dividend reserve		631,027	631,027
Other reserves		3,322,087	2,739,610
Equity attributable to owners of the Company		3,992,553	3,410,076
Non-current liabilities			
Deferred tax liabilities		557	555
		3,993,110	3,410,631

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners 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 2009 (audited)	39,236	380,782	–	155	72,979	(74,223)	2,248,993	196,178	2,864,100
Profit for the year	–	–	–	–	–	–	935,438	–	935,438
Exchange differences on translation of foreign operations	–	–	–	–	–	2,338	–	–	2,338
Total comprehensive income for the year	–	–	–	–	–	2,338	935,438	–	937,776
Sub-total	39,236	380,782	–	155	72,979	(71,885)	3,184,431	196,178	3,801,876
Recognition of equity-settled share-based payments	–	–	39,792	–	–	–	–	–	39,792
Shares issued under the Employee Share Incentive Scheme	203	39,589	(39,792)	–	–	–	–	–	–
2008 final dividend paid *(note 6)*	–	–	–	–	–	–	–	(196,178)	(196,178)
2009 interim dividend paid *(note 6)*	–	–	–	–	–	–	(78,471)	–	(78,471)
2009 first special dividend paid *(note 6)*	–	–	–	–	–	–	(156,943)	–	(156,943)
2009 final dividend proposed *(note 6)*	–	–	–	–	–	–	(473,270)	473,270	–
2009 second special dividend proposed *(note 6)*	–	–	–	–	–	–	(157,757)	157,757	–
At 31 December 2009 and 1 January 2010 (audited)	39,439	420,371	–	155	72,979	(71,885)	2,317,990	631,027	3,410,076
Profit for the period	–	–	–	–	–	–	1,148,365	–	1,148,365
Exchange differences on translation of foreign operations	–	–	–	–	–	15,923	–	–	15,923
Total comprehensive income for the period	–	–	–	–	–	15,923	1,148,365	–	1,164,288
Sub-total	39,439	420,371	–	155	72,979	(55,962)	3,466,355	631,027	4,574,364
Recognition of equity-settled share-based payments	–	–	49,216	–	–	–	–	–	49,216
2009 final and second special dividend paid *(note 6)*	–	–	–	–	–	–	–	(631,027)	(631,027)
2010 interim dividend declared *(note 6)*	–	–	–	–	–	–	(631,027)	631,027	–
At 30 June 2010 (unaudited)	39,439	420,371	49,216	155	72,979	(55,962)	2,835,328	631,027	3,992,553

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners 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
1 January 2009 (audited)	39,236	380,782	–	155	72,979	(74,223)	2,248,993	196,178	2,864,100
Profit for the period	–	–	–	–	–	–	74,904	–	74,904
Exchange differences on translation of foreign operations	–	–	–	–	–	(2,125)	–	–	(2,125)
Total comprehensive (expense) income for the period	–	–	–	–	–	(2,125)	74,904	–	72,779
Sub-total	39,236	380,782	–	155	72,979	(76,348)	2,323,897	196,178	2,936,879
Recognition of equity-settled share-based payments	–	–	16,892	–	–	–	–	–	16,892
2008 final dividend paid (note 6)	–	–	–	–	–	–	–	(196,178)	(196,178)
2009 interim dividend declared *(note 6)*	–	–	–	–	–	–	(78,471)	78,471	–
2009 first special dividend declared *(note 6)*	–	–	–	–	–	–	(156,943)	156,943	–
At 30 June 2009 (unaudited)	39,236	380,782	16,892	155	72,979	(76,348)	2,088,483	235,414	2,757,593

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from operating activities	1,116,997	115,498
Net cash used in investing activities		
Purchase of property, plant and equipment	(218,842)	(9,623)
Addition of prepaid lease payment	(20,672)	–
Deposits paid for acquisition of property, plant and equipment	(83,874)	(3,989)
Other investing cash flows	2,602	2,326
	(320,786)	(11,286)
Cash used in financing activities		
Dividends paid	(631,027)	(196,178)
Net increase (decrease) in cash and cash equivalents	165,184	(91,966)
Cash and cash equivalents at beginning of the period	1,253,872	845,521
Effect of foreign exchange rate changes	1,836	(740)
Cash and cash equivalents at end of the period	1,420,892	752,815

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

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 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 2009.

In the current interim period, the Group has applied for the first time some revised standards and amendments and interpretations ("HK(IFRIC)-INT") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2010. The adoption of the new HKFRSs has no material effect on the condensed consolidated financial statements for the current or prior accounting periods.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. This standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group has two reportable segments: sales of equipment and lead frame. They represent two major types of products manufactured by the Group. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income and unallocated general and administrative expenses.

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

Segment revenue and results

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Segment revenue from external customers		
Equipment	3,420,037	997,625
Lead frame	747,118	411,515
	4,167,155	1,409,140
Segment profit		
Equipment	1,284,077	72,013
Lead frame	64,104	40,280
	1,348,181	112,293
Interest income	2,197	2,259
Finance costs	(1)	–
Unallocated other income	26	734
Unallocated general and administrative expenses	(21,383)	(22,258)
Profit before taxation	1,329,020	93,028

Geographical information by location of market

	Turnover	
	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Mainland China	1,456,396	534,644
Taiwan	691,396	230,095
Malaysia	616,757	159,089
Korea	584,327	205,187
Thailand	187,132	54,728
Philippines	182,586	56,603
Hong Kong	133,961	57,843
Japan	124,159	20,736
United States of America	91,523	48,546
Singapore	63,861	17,775
Europe	20,075	17,775
Indonesia	9,041	4,783
Others	5,941	1,336
	4,167,155	1,409,140

4. DEPRECIATION

During the period, depreciation of HK$109.1 million (HK$115.4 million for the six months ended 30 June 2009) 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 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	138,295	19,637
Other jurisdictions	41,405	1,116
	179,700	20,753
Deferred taxation:		
Current period	955	(2,629)
	180,655	18,124

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

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

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

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the period ended 30 June 2010 seeking information relating to 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. As at 30 June 2010, the Group purchased tax reserve certificates amounting to HK$137.9 million as disclosed in note 9.

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that the Company and its subsidiaries have a case to pursue. The directors also consider 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.

6. DIVIDENDS

	Six months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Dividend recognised as distribution during the period		
Final dividend for 2009 paid of HK$1.20 (2009: final dividend for 2008 paid of HK$0.50) per share on 394,392,100 (2009: 392,356,700) shares	473,270	196,178
Second special dividend for 2009 paid of HK$0.40 per share on 394,392,100 shares (2009: nil)	157,757	–
	631,027	196,178
Dividend declared after the end of the interim reporting period		
Interim dividend for 2010 of HK$1.60 (2009: HK$0.20) per share on 394,392,100 (2009: 392,356,700) shares	631,027	78,471
First special dividend for 2009 of HK$0.40 per share on 392,356,700 shares (2010: nil)	–	156,943
	631,027	235,414

The dividend declared after 30 June 2010 will be paid to the shareholders of the Company whose names appear on the Register of Members on 20 August 2010.

7. 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 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period)	1,148,365	74,904

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	394,392	392,357
Effect of dilutive potential shares from the Employee Share Incentive Scheme	510	933
Weighted average number of ordinary shares for the purposes of diluted earnings per share	394,902	393,290

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$218.8 million (HK$9.6 million for the six months ended 30 June 2009) on the acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Trade receivables	1,856,855	1,357,057
Amount due from ASM International N.V. – trade *(Note)*	28	32
VAT receivables	93,705	67,067
Other receivables, deposits and prepayments	64,616	47,596
Tax reserve certificate recoverable	137,929	101,000
	2,153,133	1,572,752

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

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Not yet due	1,331,484	978,543
Overdue within 30 days	309,362	202,379
Overdue within 31 to 60 days	127,487	107,160
Overdue within 61 to 90 days	47,940	31,052
Overdue over 90 days	40,582	37,923
	1,856,855	1,357,057

Note: Amount due from ASM International N.V. is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms. ASM International N.V. is the Company's ultimate holding company. It is incorporated in the Netherlands.

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 are extended to 3 to 4 months. Each customer has a pre-set maximum credit limit.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Trade payables	878,230	737,116
Amounts due to subsidiaries of ASM International N.V. – trade *(Note)*	583	277
Deposits received from customers	339,810	136,835
Other payables and accrued charges	387,730	293,603
	1,606,353	1,167,831

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

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Not yet due	218,479	497,834
Overdue within 30 days	270,355	189,557
Overdue within 31 to 60 days	254,282	39,075
Overdue within 61 to 90 days	122,978	4,284
Overdue over 90 days	12,136	6,366
	878,230	737,116

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 is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

11. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1 January 2009	392,357	39,236
Shares issued under the Employee Share Incentive Scheme	2,035	203
At 31 December 2009 and at 30 June 2010	394,392	39,439

All shares issued during the period/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.

12. RELATED PARTY TRANSACTIONS

(a) During the period, the Group paid a management fee of HK$375,000 (HK$375,000 for the six months ended 30 June 2009) to ASM International N.V. under a consultancy agreement between ASM International N.V. and the Company, which constituted a connected transaction as defined under the Listing Rules. Pursuant to the original consultancy agreement, an annual management fee of HK$1.5 million is payable to ASM International N.V. which acts as a consultant, introduces new business and provides assistance in business development, general management support and services, international expertise and market information to the Group. The annual management fee was revised to HK$750,000 effective from 1 January 2006. The consultancy agreement, which commenced on 5 December 1988, was for an initial period of three years and is terminable thereafter by six months' notice in writing by either party.

(b) Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK$24,681,000 (HK$15,536,000 for the six months ended 30 June 2009).

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 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 emoluments above amounted to HK$10,338,000 (HK$3,112,000 for the six months ended 30 June 2009).

13. CONTINGENT LIABILITIES

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Guarantees given to the Singapore government for working permits of foreign workers in Singapore	668	443

14. CAPITAL COMMITMENTS

	As at 30 June 2010 (Unaudited) HK$'000	As at 31 December 2009 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	491,713	87,554

15. EVENT AFTER THE INTERIM PERIOD

On 28 July 2010, the Company entered into an acquisition agreement (the "Acquisition Agreement") with Siemens Aktiengesellschaft (the "Seller") pursuant to which the Company has conditionally agreed to acquire the entire interest of the 13 direct and indirect subsidiaries of the Seller currently operating the Siemens Electronics Assembly Systems Business in 11 countries, including Germany, the PRC, the United Kingdom, France, Austria, the United States of America, Mexico, Singapore, Sweden, Italy and Brazil.

Completion of the proposed acquisition is subject to the fulfillment of a number of conditions precedent as stated in the Acquisition Agreement. The acquisition may or may not be completed. As at the date of approval for the issuance of the condensed consolidated financial statements, the consideration of the acquisition is subject to adjustments and the financial effect of the acquisition cannot yet be determined.

Details of the acquisition, the conditions precedent and the adjustments to the consideration are set out in the announcement on "Major Transaction – Acquisition of the SEAS Business" of the Company dated 28 July 2010.

4. STATEMENT OF INDEBTEDNESS

Bank Loans

As at the close of business on 31 October 2010, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding current bank loans amounting to EUR846,000 (approximately HK$9,092,000) which was unsecured but guaranteed by the Seller.

Contingent Liabilities

As at 31 October 2010, the Enlarged Group had outstanding contingent liabilities of approximately HK$3,020,000 in respect of guarantees given to the Singapore government for work permits of foreign workers in Singapore.

As at 31 October 2010, the Enlarged Group had given the following guarantees:

		HK$'000 (approximately)
(i)	Guarantees in respect of advance payment received from customers	22,665
(ii)	Guarantees in respect of payment of custom duties	16,245
(iii)	Guarantees in respect of fulfilment of obligations on salary payment for the construction project "成都市範圍內承建或建設先進科技半導體生產設備研發中心"	5,060
(iv)	Guarantee for bid bond	1,800
(v)	Performance guarantees in respect of sales of machines to customers	709
	Total guarantee amount	46,479

The figures in Euro have been translated into Hong Kong dollars at the conversion exchange rate of EUR1 to HK$10.7467 as of 31 October 2010 based on data published by European Central Bank.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 31 October 2010, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, debt securities, loans or similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than normal trade bills and payables), acceptance credits, or any guarantees or other material contingent liabilities.

The Directors confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 31 October 2010 up to the Latest Practicable Date.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the financial resources available to the Enlarged Group including its internally generated funds, the Enlarged Group has sufficient working capital for at least twelve months from the date of this circular.

A. ACCOUNTANTS' REPORT FOR THE FINANCIAL YEARS ENDED 30 SEPTEMBER 2010 AND 30 SEPTEMBER 2009

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
Arnulfstraße 126
Munich
Germany

December 21, 2010

To Siemens Electronics Assembly Systems GmbH & Co. KG
Rupert-Mayer-Str. 44
81379 München
Germany

To Siemens Aktiengesellschaft
Wittelsbacherplatz 2,
80333 Munich
Germany

To ASM Pacific Technology Limited
12/F, Watson Centre
16 Kung Yip Street
Kwai Chung
Hong Kong

Dear Sirs,

We set out below our report on the combined financial information regarding Siemens Electronics Assembly Systems business ("the SEAS group", "the SEAS business" or "SEAS") for each of the two fiscal years ended September 30, 2010 and 2009 (the "Relevant Periods") (the "Combined Financial Information") for inclusion in the circular of ASM Pacific Technology Limited ("ASM") for a major transaction, namely the acquisition of SEAS by ASM from Siemens Aktiengesellschaft ("Siemens"), in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") (the "Circular").

SEAS's main activities are the sales, service, production and development of modular manufacturing machines for advanced electronics production, in particular highly accurate, fast moving Surface Mounted Technology placement machines.

SEAS was established through a reorganization whereby the SEAS business was carved out from Siemens Regional Companies into separate legal entities in various countries. The legal carve-out process of the SEAS business was commenced by Siemens in 2008 and was completed by June 30, 2009. Before the carve-out the SEAS business was performed by Siemens Regional Companies, except for China. Further details of the carve-out process are set out in Note 1 of Section II of this report. At the end of the fiscal year 2010, SEAS consists of 14 legal entities which are included in Appendix 1 of Section II of this report.

The Combined Financial Information set out in this report comprises the combined statements of financial position of SEAS as of September 30, 2010 and 2009, and the related combined statements of income, the combined statements of comprehensive income, the combined statements of cash flow and the combined statements of changes in equity, and a summary of significant accounting policies and other explanatory notes, for the period ended September 30, 2010 and 2009.

The Combined Financial Information has been prepared on the basis of the combined financial statements of SEAS as of September 30, 2010 and 2009 and for the fiscal years then ended prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (the "Combined Financial Statements"). The financial statements are also in accordance with IFRS as issued by the International Accounting Standards Board. The Combined Financial Statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in Germany in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Combined Financial Statements are free from material misstatement.

The Listing Rules in respect of an accountants' report require to include the history of results, balance sheet, cash flow statement and statement of changes in equity for the three financial years immediately preceding the issue of a circular. As SEAS did not form a separate reporting group for periods prior to fiscal year 2009, no discrete financial information is available which comprehensively cover all financial reporting requirements for these periods. Accordingly, there is no standalone audited financial information in respect to the SEAS business for the financial period ending up to and including fiscal year 2008. Therefore, this report includes the financial information for two fiscal years only. A waiver was granted by the The Stock Exchange of Hong Kong Limited dated August 4, 2010 for this case.

Management's responsibility

The Combined Financial Statements are the responsibility of the management of SEAS who approved their issuance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Combined Financial Statements that they are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Management of SEAS is also responsible for the preparation and the true and fair presentation of the Combined Financial Information. In preparing the Combined Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that accounting estimates are reasonable in the circumstances.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Combined Financial Information based on our examination of the Combined Financial Information, and to report our opinion thereon. We examined the audited Combined Financial Statements of SEAS for the Relevant Periods used in preparing the Combined Financial Information and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. No adjustment has been made to adjust the Combined Financial Statements to conform to the accounting policies referred to in Note 2 of Section II of this report.

Opinion in respect of the Combined Financial Information

In our opinion, the Combined Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of SEAS as at September 30, 2010 and 2009 and the combined results and the combined cash flows of SEAS for 2010 and 2009.

I. COMBINED FINANCIAL INFORMATION

(in thousands of euro, except where otherwise stated)

(A) Combined Statements of Income

	Note	2010	2009
Revenue	***4, 29***	297,019	190,731
Cost of goods sold and services rendered	***8***	(235,841)	(242,825)
Gross profit		61,178	(52,094)
Research and development expenses		(34,868)	(53,990)
Marketing and selling expenses		(28,150)	(32,000)
General administrative expenses		(5,484)	(3,466)
Other operating income	***5***	987	872
Other operating expense	***6***	(203)	(1,847)
Interest income	***7***	983	1,804
Interest expense	***7***	(1,653)	(2,094)
Other financial income (expense), net	***7***	38	(29)
Loss from operations before income taxes		(7,172)	(142,844)
Income taxes	***9***	(4,645)	(8,854)
Net loss		**(11,817)**	**(151,698)**

(B) Combined Statements of Comprehensive Income

	2010	2009
Net loss	(11,817)	(151,698)
Currency translation differences	2,340	1,071
Actuarial gains and losses on pension plans and similar commitments	(3,444)	(1,864)
Other comprehensive income (loss), net of tax	(1,104)	(793)
Total comprehensive income	**(12,921)**	**(152,491)**

(in thousands of euro, except where otherwise stated)

(C) Combined Statements of Financial Position

	Note	9/30/10	9/30/09
Assets			
Current Assets			
Cash and cash equivalents	***25***	114,222	40,492
Receivables from Siemens group	***25, 29***	15,322	58,218
Trade receivables	***10, 25***	61,916	23,200
Other current financial assets	***11, 25***	1,145	1,920
Inventories	***12***	83,509	68,706
Income tax receivables		729	545
Other current assets	***13***	7,075	8,439
Total current assets		283,918	201,520
Intangible assets	***14***	496	126
Plant and equipment	***15***	13,806	14,774
Other financial assets	***25***	49	34
Deferred tax assets	***9***	1,381	4,923
Other assets	***16***	1,053	1,655
Total assets		**300,703**	**223,032**
Liabilities and equity			
Current liabilities			
Short-term debt	***17, 25***	864	1,037
Trade payables	***25***	29,117	20,643
Other current financial liabilities	***18, 25***	1,067	791
Payables to Siemens group	***25, 29***	74,604	50,733
Current provisions	***21***	24,526	31,482
Income tax payables		6,937	3,364
Other current liabilities and accruals	***19***	47,096	26,813
Total current liabilities		184,211	134,863
Net current assets		99,707	66,657
Total assets less current liabilities		116,492	88,169
Pension plans and similar commitments	***20***	25,022	19,300
Deferred tax liabilities	***9***	674	5,312
Provisions	***21***	14,040	4,108
Other liabilities and accruals	***22***	1,826	3,270
Total liabilities		225,773	166,853
Equity	***23***		
Investment by Siemens		71,519	55,108
Other components of equity		3,411	1,071
Total equity		74,930	56,179
Total equity and liabilities		**300,703**	**223,032**

(in thousands of euro, except where otherwise stated)

(D) Combined Statements of Cash Flow

	2010	2009
Cash flows from operating activities		
Net loss	(11,817)	(151,698)
Adjustments to reconcile net loss to cash provided		
Amortization, depreciation and impairments	7,164	9,349
Income taxes	4,645	8,854
Interest income expense other than pension, net	(330)	(840)
(Gains) losses on sales and disposals of intangibles and plant and equipment	(139)	1,357
Other non-cash income	(1,397)	(896)
Change in current assets and liabilities	(23,435)	44,377
(Increase) decrease in inventories	(13,115)	48,234
(Increase) decrease in trade receivables	(37,402)	31,869
(Increase) decrease in other current assets	2,379	(3,501)
Increase (decrease) in trade payables	7,592	(9,311)
Decrease in current provisions	(4,950)	(10,439)
Increase (decrease) in other current liabilities and accruals	22,061	(12,475)
Change in other assets and liabilities	6,303	(4,506)
Additions to assets held for rental in operating lease	(26)	(121)
Income taxes paid	(952)	(763)
Interest received	480	1,234
Net cash used in operating activities	**(19,504)**	**(93,653)**
Cash flows from investing activities		
Additions to plant and equipment	(7,918)	(7,645)
Proceeds from disposals of plant and equipment	1,911	3,860
Net cash used in investing activities	**(6,007)**	**(3,785)**
Cash flows from financing activities		
Change in short-term debt	(325)	783
Interest paid	(150)	(366)
Dividends paid	(6,895)	(9,503)
Capital injection by Siemens	36,702	122,356
Capital repayment to Siemens	(123)	–
Other internal financing by Siemens	65,665	21,283
Net cash provided by financing activities	**94,874**	**134,553**
Effect of exchange rates on cash and cash equivalents	4,367	31
Net increase in cash and cash equivalents	73,730	37,146
Cash and cash equivalents at beginning of period	40,492	3,346
Cash and cash equivalents at end of period	114,222	40,492

(in thousands of euro, except where otherwise stated)

(E) Combined Statements of Changes in Equity

	Investment by Siemens	Other components of equity: Currency translation differences	Total equity
Balance at October 1, 2008	**46,738**	**–**	**46,738**
Net loss of the period	(151,698)	–	(151,698)
Other comprehensive income (loss)	(1,864)	1,071	(793)
Total comprehensive income (loss)	(153,562)	1,071	(152,491)
Dividends	(9,503)	–	(9,503)
Contributions / withdrawals by Siemens	171,435	–	171,435
Balance at September 30, 2009	**55,108**	**1,071**	**56,179**
Balance at October 1, 2009	**55,108**	**1,071**	**56,179**
Net loss of the period	(11,817)	–	(11,817)
Other comprehensive income (loss)	(3,444)	2,340	(1,104)
Total comprehensive income (loss)	(15,261)	2,340	(12,921)
Dividends	(6,895)	–	(6,895)
Contributions / withdrawals by Siemens	38,567	–	38,567
Balance at September 30, 2010	**71,519**	**3,411**	**74,930**

II. NOTES TO COMBINED FINANCIAL INFORMATION

(in thousands of euro, except where otherwise stated)

1. BASIS OF PREPARATION

Background

In 2008 Siemens AG (also Siemens) started divestiture activities with respect to its Siemens Electronics Assembly Systems business (hereafter referred to as "SEAS", "the SEAS group" or "the SEAS business"), at that time a business unit of its Drive Technologies Division, which was part of Siemens's Industry Sector, in order to facilitate the sale of the SEAS business to a third party.

In connection with the anticipated sale transaction of the SEAS business (held by Siemens Regional Companies) to ASM Pacific Technology Ltd., Hong Kong ("ASM"), SEAS prepared the Combined Statements of Financial Position, the Combined Statements of Income, the Combined Statements of Comprehensive Income, the Combined Statements of Cash Flow and the Combined Statements of Changes in Equity and the summary of significant accounting policies and other explanatory notes (collectively "Combined Financial Statements") for the year ended September 30, 2010 and 2009 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

Description of the SEAS business

SEAS' main activities are the sales, service, production and development of modular manufacturing machines for advanced electronics production, in particular highly accurate, fast moving Surface Mounted Technology (SMT) placement machines. The SEAS business operates throughout the world and its products and solutions are sold globally under the SIPLACE brand.

Before the carve-out (see below), the SEAS business was performed by Siemens Regional Companies, except for China. The Siemens Regional Companies represent legal entities which include several business units across all Siemens divisions.

In China, Siemens Electronics Assembly Systems Ltd., Shanghai, (ARE[1] 4046) is a legal entity owned by Siemens China Ltd., which exclusively conducts SEAS business. The other Chinese entity, Siemens Ltd., China, Beijing (ARE 5547) (see Appendix 1) does not conduct SEAS business. It is included in the scope of the Combined Financial Statements due to its function to administer the personnel expenses of SEAS' expatriates in China. Personnel related accruals amounting to 108 and 135 are included in the Combined Statement of Financial Position for ARE 5547 as of September 30, 2010 and 2009, respectively.

With effect from October 1, 2008, Siemens started to reorganize SEAS so that the SEAS companies performed SEAS business only. This meant that the SEAS business had to be carved-out from the existing Siemens Regional Companies. Accordingly, Siemens AG carved out its SEAS business throughout the first three quarters of fiscal 2009 into separate legal entities with effective carve-out dates varying from October 1, 2008 through June 30, 2009. The legal carve-out was structured such that legal entities in 10 countries were established, which subsequently acquired the SEAS business by way of asset deals and transfers (contributions in kind). The legal carve-out process was completed by June 30, 2009. After the completion of the legal carve-out, the SEAS entities are legally owned by the Siemens Regional Companies. The SEAS business represents a Siemens business unit, but it is not a legal group for consolidated financial statements reporting purposes in accordance with IAS 27 because there is no single controlling SEAS entity.

During fiscal 2010 the SEAS group changed as described below.

In March 2010, Siemens Electronics Assembly Systems Beteiligungen Verwaltungs GmbH, Munich ("SEAS Beteiligungen GmbH") was merged with Siemens AG with a retrospective effectiveness of October 1, 2009. As Siemens AG was the only shareholder of SEAS Beteiligungen GmbH, the respective assets and liabilities of the latter were transferred to Siemens AG without any consideration, resulting in decrease of SEAS' combined net assets by 24 as of October 1, 2009 which was recorded through *Contributions / withdrawals by Siemens* in the Combined Statement of Changes in Equity.

[1] ARE (Abrechnungseinheit) is a Siemens reporting unit

(in thousands of euro, except where otherwise stated)

Siemens AG and SEAS Beteiligungen GmbH were the limited partner and the general partner, respectively, of Siemens Electronics Assembly Systems Beteiligungen GmbH & Co. KG, Munich ("SEAS Beteiligungen KG"). On October 20, 2009, the general partner of SEAS Beteiligungen KG retired from the partnership. As Siemens AG became the sole partner of SEAS Beteiligungen KG, the latter was dissolved and its assets and liabilities were transferred to Siemens AG without any consideration. The transfer resulted in decrease of SEAS' combined net assets by 99 as of October 21, 2009 which was recorded through *Contributions / withdrawals by Siemens* in the Combined Statement of Changes in Equity.

Both entities, SEAS Beteiligungen GmbH as well as SEAS Beteiligungen KG were non-operating entities of the SEAS group.

At the end of fiscal 2010, SEAS consists of 14 legal entities (see Appendix 1). These entities are still legally wholly owned by the Siemens Regional Companies.

For information regarding the combination group as at the end of the fiscal years 2010 and 2009 and the carve-out activities in the fiscal year 2009 see Appendix 1 to these Notes.

Siemens uses a centralized approach to cash management and to finance its operations. Accordingly, in fiscal 2009 aside of cash balances held directly with third party banks, SEAS' cash deposits and funding was pooled directly with Siemens Financial Services ("SFS") and treated as receivables from / payables to Siemens group (see Note 29). Furthermore, as no SAG debt was directly attributable to SEAS, no Siemens level debt or interest expense was allocated to these Combined Financial Statements in fiscal 2009. Interest earned on deposits through the cash pooling arrangement and interest payable on related party interest bearing borrowings was settled through the cash pooling arrangement. Interest income on cash pooling deposits and interest expense on related party borrowings were typically based on country-specific market interest rates (e.g., LIBOR plus a margin) that, when taken together, reflected interest rates that management believe were comparable to the rates charged by third-party banks.

Starting October 1, 2009, SEAS was no longer included in the centralized cash pooling of Siemens AG with Siemens Financial Services which resulted in increase in SEAS' cash position. During fiscal 2010, SEAS still used SFS to settle its transactions within the SEAS group or with other Siemens entities. SEAS' receivables from and payables to SFS were included in *Receivables from Siemens group* and *Payables to Siemens group*, respectively, as of September 30, 2010 (see Note 29).

Presentation of the Combined Financial Statements

The Combined Financial Statements present the operations of the SEAS business and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements are also in accordance with IFRS as issued by the IASB.

The Combined Financial Statements have been prepared and reported in euro.

The Combined Financial Statements have been prepared on the historical cost basis, except as stated in Note 2.

Siemens has initially adopted IFRS in the fiscal year 2006, with its transition date as of October 1, 2004. SEAS has applied IFRS for Group reporting purposes as of this date, but has never previously issued individual standalone financial statements in accordance with IFRS. As a result, they are considered a first-time adopter in the scope of IFRS 1 with the transition date on October 1, 2008. The IFRS effective for Siemens in fiscal 2009 were the same as those as applied by SEAS for its transition date except for the application of transitional exemptions as granted by IFRS 1. As SEAS was not previously legally in existence there was no basis from which the respective IFRS 1 reconciliations could be derived.

SEAS made use of two transitional exemptions as granted by IFRS 1. As a result of this election, SEAS set its reserve for currency translation differences under IAS 21 to zero within *Other components of equity* in *Equity* at October 1, 2008. Further, cumulative gains and losses on pension plans and similar commitments within *Investment by Siemens* in *Equity* were set to zero at October 1, 2008.

SEAS group combination principles

As the SEAS entities are still legally owned by the Siemens Regional Companies, the SEAS business represents a Siemens business unit, but it is not a legal group for consolidated financial statements reporting purposes in accordance with IAS 27 because there is no single controlling SEAS entity. Therefore, the Combined Financial Statements are prepared on the basis of a notional group structure (see Appendix 1). See Note 23 for further details on equity as presented in the Combined Financial Statements.

(in thousands of euro, except where otherwise stated)

The Combined Financial Statements include all assets, liabilities, revenues and expenses directly attributable to the SEAS legal entities. In addition, the comparative financial information for the fiscal year 2009 includes revenues and expenses from the SEAS operations of certain Siemens Regional Companies before the carve-out date (see Appendix 1).

Income taxes have been determined as if SEAS entities were separate tax-payers (see also Note 2). If the legal operating entity is a member of a tax group and income taxes are levied at the single entity level, specific carve out adjustments for income taxes are generally not applied. If however, the entity is a member of a tax group and income taxes are levied only at a higher tax group level, tax expense has been computed on a stand-alone basis and recorded as a respective withdrawal or contribution in equity.

For purposes of these Combined Financial Statements, pensions and other postretirement plans and their respective portion of the plan liabilities, assets, benefit, interest and service costs, have been generally included or allocated to SEAS using valuations performed by independent actuaries.

As SEAS is included in Siemens AG reporting structure, it obtains mandatory services from Siemens AG. In the fiscal year 2009 SEAS entered into transitional service agreements (TSAs) with Siemens AG. These TSAs will be terminated after the ultimate separation of SEAS from Siemens, which is expected to become effective on January 1, 2011 0:00 am. According to these agreements, Siemens AG continues to provide administrative services to SEAS, including mainly accounting support, HR services, logistics services, legal, tax, marketing and advertising services and IT services. The need for such services will remain after the legal separation of SEAS from Siemens. SEAS entities will either have to perform these services internally or receive these services from Siemens or other third party, the cost of which may not be comparable to that historically recorded.

In fiscal 2009 SEAS' financing requirements were primarily met by cash transfers with Siemens AG and were reflected in the financing activities of the Combined Statement of Cash Flow. This represented net cash transfer to and from the Siemens group for the settlement of various intercompany transactions and financing requirements with Siemens. All these movements were aggregated in the position *Other internal financing by Siemens* within the Combined Statement of Cash Flow for fiscal 2009.

In fiscal 2010 SEAS' financing requirements were primarily met by cash injections from Siemens AG (see Note 23) as well as the cash settlement of the balances with SFS outstanding as of October 1, 2009 (see Note 1). Both transactions are reflected in the financing activities of the Combined Statement of Cash Flow. The movements of the latter are aggregated in the position *Other internal financing by Siemens* within the Combined Statement of Cash Flow.

The Combined Financial Statements may not be indicative of the SEAS group's future performance and do not necessarily reflect what its combined results of operations, financial position and cash flows would have been, had SEAS operated as an independent company during the periods presented.

All intra-group balances, income and expenses, unrealized gains and losses resulting from transactions between SEAS entities are eliminated in full. Transactions with non-SEAS entities of Siemens group are disclosed as transactions with related parties.

Going concern

The business plan for fiscal years 2011 and 2012 for the SEAS business assumes a positive impact on its operational results as a consequence of its restructuring measures and the beginning recovery of the SMT equipment market.

The SEAS business has received capital injections of approximately Million euro 37 since September 30, 2009. Consistent with the business plan for fiscal years 2011 and 2012 for the SEAS business and based on the capital injections made, the Combined Financial Statements have been prepared based on the going concern principle.

(in thousands of euro, except where otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Combined Financial Statements.

Key accounting estimates and judgments – The preparation of the Combined Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results may differ from management's estimates. Estimates and assumptions are reviewed on an ongoing basis and changes in estimates and assumptions are recognized in the period in which the changes occur and in future periods impacted by the changes. In addition to the carve-out assumptions which impacted the presentation of these Combined Financial Statements, the areas involving a high degree of judgment or where estimates and assumptions are significant to the Combined Financial Statements are disclosed in Note 3.

Foreign currency translation – The assets and liabilities of SEAS entities, where the functional currency is other than the euro, are translated using the exchange rate at the end of the reporting period, while the statements of income are translated using average exchange rates during the period. Differences arising from such translations are recognized within equity. For purposes of preparing these Combined Financial Statements, accumulated currency translation differences recognized in *Other components of equity* as of October 1, 2008 were reclassified into *Investment by Siemens* consistent with an exemption provided by IFRS 1, *First-time Adoption of International Financial Reporting Standards* (see Note 1).

The exchange rates of the significant currencies of non-euro countries used in the preparation of the Combined Financial Statements were as follows:

		Year-end exchange rate		**Annual average rate**	
		1 euro quoted into currencies specified below		**1 euro quoted into currencies specified below**	
Currency	**ISO Code**	**2010**	**2009**	**2010**	**2009**
U.S. Dollar	USD	1.365	1.464	1.358	1.361
Singapore Dollar	SGD	1.794	2.065	1.757	1.995
Chinese Renmimbi	CNY	9.133	9.966	9.226	9.286
British Pound	GBP	0.860	0.909	0.869	0.875

Transactions in foreign currencies are recorded by the SEAS entities at their respective functional currency rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate ruling as of the reporting date. All differences are taken to the Combined Statement of Income. For the fiscal years 2010 and 2009, exchange rate differences, net amounting to 785 and 783 respectively were recognized as income in the Combined Statement of Income.

Revenue recognition – Revenue is recognized for product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. If product sales are subject to customer acceptance, revenue is not recognized until customer acceptance occurs.

Revenues from service transactions, including maintenance and technical support, are recognized as services are performed. For long-term service contracts, revenues are recognized on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided.

Functional Costs – In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Expenses relating to cross-functional initiatives or projects are assigned to the respective functional costs based on an appropriate allocation principle.

Product-related expenses – Provisions for estimated costs related to product warranties are recorded in *Cost of goods sold and services rendered* at the time the related sale is recognized, and are determined on an individual basis. The estimates reflect historic trends of warranty costs, as well as information regarding product failure experienced during construction, installation or testing of products.

(in thousands of euro, except where otherwise stated)

Government grants – Government grants are recognized when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the Combined Statements of Income under the same functional area as the corresponding expenses. They are recognized as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

Research and development costs – Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred. As the period between technical feasibility and completion of the development is generally below one month, the cost incurred for development activities cannot be separated from costs of research activities and hence can not be measured reliably. Thus, development costs are expensed as incurred.

Government grants for research and development activities are offset against research and development costs. They are recognized as income over the periods in which the research and development costs incur that are to be compensated. Government grants for future research and development costs are recorded as deferred income.

Intangible assets – Intangible assets consist of acquired software and patents, licenses and similar rights. SEAS amortizes these intangible assets on a straight-line basis over their respective estimated useful lives to their estimated residual values. The amortization method and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. Estimated useful lives for software range from three to five years. Estimated useful lives for patents, licenses and other similar rights range from three to five years. See Note 14 for further information. SEAS has no intangible assets with indefinite useful life.

Plant and equipment – Plant and equipment is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognized using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. The following useful lives are assumed:

Leasehold improvements	5 to 10 years
Technical machinery and equipment	5 to 10 years
Furniture and office equipment	generally 5 years

Impairment of Plant and equipment and Intangible assets – SEAS reviews plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level, but instead performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset or cash-generating unit exceeds their recoverable amount. If the fair value cannot be determined, the assets' value in use is applied as their recoverable amount. The assets' value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which caused the impairment no longer exist, SEAS assesses the need to reverse all or a portion of the impairment.

Income taxes – The SEAS group Combined Financial Statements recognize the current and deferred income tax consequences that result from the German and international SEAS business. Some of the entities within the SEAS group did not file separate tax return as they were included in a group for tax purposes together with other Siemens entities or as they were part of the Siemens Regional Companies. The income tax included in these Combined Financial Statements was calculated using a method consistent with a separate return basis, as if these entities were either separate, stand-alone taxpayers in the respective jurisdictions or within a SEAS national tax group. The usage of a national tax group, e.g. for Germany, is dependent on the local tax legislation and the assumptions of the legal structure of SEAS.

Current income taxes are determined based on respective local taxable income and tax laws.

Under the liability method of IAS 12, *Income Taxes*, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Changes in deferred tax asset and liabilities are recorded in the *Income taxes* line of the Combined Statement of Income unless these changes are recognized directly in equity. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

(in thousands of euro, except where otherwise stated)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date at the respective jurisdiction.

Inventories – Inventory is valued at the lower of acquisition or production cost and net realizable value, cost being generally determined on the basis of an average method. Production costs comprise direct material and labor and applicable manufacturing overheads, including depreciation charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions – A provision is recognized in the Combined Statement of Financial Position when SEAS has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

When a contract becomes onerous, the present obligation under the contract is recognized as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract, as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognized in the Combined Statement of Income.

Termination benefits – are recognized in the period incurred and when the amount is reasonably estimable. Termination benefits in accordance with IAS 19 are recognized as a liability and an expense when the entity is demonstrably committed, through a formal termination plan or otherwise creating a valid expectation, to either provide termination benefits as a result of an offer made in order to encourage voluntary redundancy or terminate employment before the normal retirement date.

The accrual for employee termination benefits is based on the estimated number of employees who are expected to sign the voluntary termination agreement and the estimated related costs, depending on whether the employees decide to immediately leave SEAS or enter into a transfer company first.

Leasing – The determination, of whether an arrangement is or contains a lease, is based on the substance of the arrangement at the inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Finance leases, which transfer to SEAS substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the Combined Statement of Income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that SEAS will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases – Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Combined Statement of Income on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessee by way of penalty is recognized as an expense in the period in which termination takes place.

Defined benefit plans – SEAS measures the entitlements of the defined benefit plans by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)). SEAS considers future compensation and benefit increases, because the employee's final benefit entitlement at regular retirement age depends on future compensation or benefit increases. For post-employment healthcare benefits, SEAS considers health care trends in the actuarial valuations.

For unfunded plans, SEAS recognizes a pension liability equal to the DBO adjusted by unrecognized past service cost. For funded plans, SEAS offsets the fair value of the plan assets with the benefit obligations. SEAS recognizes the net amount, after adjustments for effects relating to unrecognized past service cost and any asset ceiling, under pension liability or pension asset.

Actuarial gains and losses, resulting for example from an adjustment of the discount rate or from a difference between actual and expected return on plan assets, are recognized by SEAS in the Combined Statement of Comprehensive Income in the year in which they occur. Those effects are recorded in full directly in equity, net of tax.

(in thousands of euro, except where otherwise stated)

The transfer of obligations to SEAS for pension and other post-employment benefits is based on legal and other contractual requirements. Countries with principal plans include the USA, the UK and Germany.

For the SEAS business in Germany, pension obligations related to the deferred compensation plan are funded by investments as of September 30, 2010 while as of September 30, 2009 pension obligations have been partially funded by way of a reimbursement right and partially by investments. Other pension assets have been allocated in line with group pension plans recorded at the respective Siemens Regional Companies as of October 1, 2008. The asset values have been projected forward to September 30, 2009 and 2010 respectively.

See Note 20 for further information.

Financial instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial assets of SEAS mainly include cash and cash equivalents, trade receivables and derivative financial instruments with a positive fair value. SEAS does not make use of the category held to maturity. Financial liabilities of SEAS mainly comprise short-term debt, trade payables and derivative financial instruments with a negative fair value. SEAS does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception. Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value. See Note 25 for further information.

Financial instruments are recognized on the Combined Statement of Financial Position when SEAS becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category – cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading – to which they are assigned.

Cash and cash equivalents – SEAS considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. As of September 30, 2010 cash and cash equivalents amounted to 24,095 and 90,127, respectively.

Loans and receivables – Financial assets classified as loans and receivables are measured at amortized cost using effective interest method less any impairment losses. Impairment losses on trade receivables are recognized using separate allowance accounts.

Financial liabilities – SEAS measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

Derivative financial instruments – Derivative financial instruments, represented by foreign currency exchange contracts, are measured at fair value. Derivative instruments are classified as held for trading. SEAS does not designate derivative financial instruments as hedging instruments and accordingly does not apply hedge accounting. Changes in the fair value of derivative financial instruments are recognized in net income. See Note 25 for further information.

Share-based payments – Employees of SEAS participate in certain Siemens sponsored share-based payment plans. These plans are accounted for as cash-settled in these Combined Financial Statements as the instruments are granted by SEAS (delivery of vested share is performed by Siemens AG), for which SEAS is being charged. The cost of cash-settled transactions is measured initially at fair value at the grant date using a valuation model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability to Siemens AG. The liability is re-measured to fair value at each reporting date up to the settlement date, with changes in fair value recognized in employee benefits expense. See Note 27 for further information on share-based payment arrangements.

(in thousands of euro, except where otherwise stated)

Recent accounting pronouncements, not yet adopted

The following pronouncements, issued by the IASB, are not yet effective and have not yet been adopted by SEAS:

In November 2009, the IASB issued IFRS 9, *Financial Instruments*. This standard is the first phase of the IASB's three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 amends the classification and measurement requirements for financial assets, including some hybrid contracts. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the different impairment methods in IAS 39. The new standard is applicable for annual reporting periods beginning on or after January 1, 2013; early adoption is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice, to take more time to consider the output from the IASB project to improve accounting for financial instruments. SEAS is currently assessing the impacts of the adoption on the SEAS' Combined Financial Statements.

The IASB issued various other pronouncements. These recently adopted pronouncements as well as pronouncements not yet adopted did not have a material impact on SEAS' Combined Financial Statements.

3. CRITICAL ACCOUNTING ESTIMATES

The Combined Financial Statements are prepared in accordance with IFRS as issued by the IASB and adopted by the EU. SEAS significant accounting policies (see Note 2) as well as the group combination principles (see Note 1) are essential to understanding SEAS' results of operations, financial positions and cash flows for the fiscal year presented. Certain of SEAS' accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on SEAS' results of operations, financial position and cash flows. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Trade receivables – The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, country credit ratings are also considered, which are determined by SFS based on information from external rating agencies. As of September 30, 2010 and 2009, SEAS recorded a total valuation allowance for accounts receivables of 3,304 and 2,317, respectively. See Note 10 for further details.

Inventories – Management judgment is required for identification of inventory where net realizable value is lower than its carrying amount. Further, determination of net realizable value involves management estimates. In fiscal 2010, SEAS recognized an income of 22,635 from the decrease in the valuation allowance. In fiscal 2009, SEAS recognized an expense for inventory valuation allowance of 7,488. See Note 12 for further details.

Impairment of plant and equipment and intangible assets – SEAS tested whether plant and equipment and intangible assets have suffered any impairment in accordance with its accounting policy. The determination of the recoverable amount involves the use of estimates by management with respect to the discount rate and cash flows used in the discounted cash flow model. The estimates included, and the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment. In fiscal 2010 SEAS did not recognize any impairment charges on plant and equipment and intangible assets. In the fiscal year 2009, SEAS recognized impairment charges amounting to 1,262 in the Combined Statement of Income (see Note 15).

Pension plans and similar commitments – Obligations for pension and other post-employment benefits and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets and the reimbursement right, expected salary increases, mortality rates and health care trend rates. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available discount rates are based on government bonds yields. The expected returns on plan assets assumptions are determined on a uniform methodology, considering long-term historical returns and asset allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in pension and other post-employment benefit obligations. Such differences are recognized in full directly in equity in the period in which they occur without affecting profit or loss. See Note 20 for further details on pensions and other post-employment benefits.

(in thousands of euro, except where otherwise stated)

Termination Benefits – Costs in conjunction with terminating employees and other exit costs are subject to significant estimates and assumptions. See Notes 2, 8, 19 and 22 for further information.

Provisions – Significant estimates are involved in the determination of provisions related to onerous purchase contracts, warranty costs and legal proceedings. SEAS records a provision for onerous purchase contracts if the estimated costs for SEAS under a purchase contract exceeded the benefit from the goods or services not yet delivered or rendered by the other party. The management judgment is required for identification of possible indicators of an onerous contact as well as for the estimate of the compensation payment to a supplier for non-fulfillment of the contract. See Note 21 for further details.

As a global operating business, SEAS is exposed to numerous legal risks, particularly in the areas of product liability and tax assessments. Pending and future proceedings often involve complex legal issues and are subject to substantial uncertainties. The outcome of such proceedings cannot be predicted with certainty. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the Statement of Financial Position date, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated.

Income taxes – SEAS operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is taken into account.

4. REVENUE

	Year ended September 30,	
	2010	**2009**
Sale of goods	195,566	107,923
Rendering of services	101,453	82,808
	297,019	**190,731**

5. OTHER OPERATING INCOME

	Year ended September 30,	
	2010	**2009**
Gains on sales of plant and equipment	257	382
Other	730	490
	987	**872**

Other mainly refers to supplier credit notes received in fiscal 2010 and to reversal of accruals for other expenses in fiscal 2009.

(in thousands of euro, except where otherwise stated)

6. OTHER OPERATING EXPENSE

	Year ended September 30, 2010	2009
Losses on disposal of plant and equipment	(118)	(1,739)
Other	(85)	(108)
	(203)	**(1,847)**

7. INTEREST INCOME, INTEREST EXPENSE AND OTHER FINANCIAL INCOME (EXPENSE), NET

	Year ended September 30, 2010	2009
Pension related interest income	503	552
Interest income, other than pension	480	1,252
Interest income	**983**	**1,804**
Pension related interest expense	(1,503)	(1,682)
Interest expense, other than pension	(150)	(412)
Interest expense	**(1,653)**	**(2,094)**
Other financial income (expense), net	**38**	**(29)**

The components of *Expense from pension plans and similar commitments, net* were as follows:

	Year ended September 30, 2010	2009
Expected return on plan assets and reimbursement right	503	552
Interest cost	(1,503)	(1,682)
Expense from pension plans and similar commitments, net	**(1,000)**	**(1,130)**

See Note 20 for further details on *Expense from pension plans and similar commitments, net*.

Total amounts of *Interest income and expense, other than pension*, were as follows:

	Year ended September 30, 2010	2009
Interest income, other than pension	480	1,252
Interest expense, other than pension	(150)	(412)
Interest income, other than pension, net	**330**	**840**
Thereof:		
Interest income of operations, net	335	109
Other interest income (expense), net	(5)	731

(in thousands of euro, except where otherwise stated)

Interest income of operations, net includes interest income and expense related to payables to suppliers, advances from customers and advanced financing of customer contracts. *Other interest income, net* includes all other interest amounts, primarily consisting of interest relating to transactions with Siemens Financial Services GmbH (see Note 29).

8. RESTRUCTURING ACTIVITIES

In order to improve efficiency of SEAS, various restructuring measures were implemented. The respective restructuring cost for fiscal 2010 and 2009 include the following:

	Year ended September 30, 2010	**Year ended September 30, 2009**
Severance payments and other employee termination benefits	12,290	15,295
Onerous purchase contracts	–	14,100
Portfolio-Streamlining	–	9,400
Relocation of production site	–	6,200
Write-down and scraping of inventories	–	6,010
Termination of property lease contracts	–	3,950
Impairment and retirement of fixed assets	–	1,870
	12,290	**56,825**

In April 2010, SEAS and SEAS' worker's council agreed on a "Reconciliation of interests and Social compensation plan" for SEAS KG, valid for the fiscal years 2010 and 2011. The "Reconciliation of interests and Social compensation plan" aims at a reduction of workforce throughout all functions, such as Supply Chain Management, Customer Relationship Management, Product Lifecycle Management and Central Functions. Employees may voluntarily enter into a termination agreement and terminate their employment contracts immediately. Employees may also choose to be transferred to a transfer company (beE -betriebsorganisatorische eigenständige Einheit) before termination. In case of an immediate termination, employees are entitled to higher severance payments.

10,444 of the termination benefits related to the restructuring program are included in *Other current liabilities and accruals* (see to Note 19), and will be paid out in fiscal 2011. 1,522 are included in *Other liabilities and accruals* (see to Note 22), and will be paid out in the first half-year of fiscal 2012.

SEAS' restructuring activities in the fiscal year 2009 involved the cessation of the production at Bruchsal, Germany along with the reduction of activities in Singapore to the D-Series production. Additionally, SEAS resized its sales department capacities. All these restructuring activities were started and completed during fiscal year 2009. The related expenses incurred in fiscal 2009 in connection with these restructuring activities are described below.

14,100 were expensed with regards to onerous purchase commitments including expenses for scrapping of material on site of suppliers as well as cash reimbursements for non-fulfillment of the contracts. See to Note 21 for the amount recognized as provision for onerous purchase contracts as of September 30, 2009.

As a consequence of product portfolio adjustments and optimization ("Portfolio-Streamlining") of the business in fiscal 2009, 9,400 were additionally expensed during the reporting period for scrapping the related inventory as well as retiring the respective plant and equipment.

The expenses for relocation of the production site from Bruchsal to Munich amounted to 6,200 in fiscal 2009.

Additional expenses amounting to 6,010 occurred in 2009 due to write-down and scrapping of inventories in the course of the plant restructuring in Singapore and Bruchsal, Germany.

In connection with the restructuring activities, SEAS terminated lease contracts for the property in Bruchsal and Munich, Germany prior to their maturity, leading to compensation payments to the respective landlords Siemens Technopark Bruchsal GmbH & Co. KG and Siemens AG totaling to 3,950 in fiscal 2009.

Due to the before mentioned restructuring activities, plant and equipment in Germany were impaired in Bruchsal and Munich by 1,262. The downsizing of the Singapore production caused a retirement of fixed assets amounting to a net book value of 608 as of September 30, 2009.

(in thousands of euro, except where otherwise stated)

The above mentioned expenses for fiscal years 2010 and 2009, respectively, were mainly included in *Cost of goods sold and services rendered*.

9. INCOME TAXES

Income tax expense consists of the following:

	Year ended September 30, 2010	2009
Total expense		
Current tax expense	(4,431)	(3,564)
Deferred tax (expense)/benefit	(214)	(5,290)
Income tax expense	**(4,645)**	**(8,854)**

The current tax expense in fiscal years 2010 and 2009 includes adjustments recognized for current tax expense of prior periods amounting to 1,542 and current tax benefit of prior periods amounting to 45 respectively.

732 and 6,037 of the deferred tax expense in fiscal years 2010 and 2009 relate to the origination and reversal of temporary differences.

In Germany, the calculation of current tax is based on a corporate income tax rate of 15% plus 5.5% solidarity surcharge thereon for all distributed and retained earnings. In addition to corporate income, trade tax is levied on taxable income. For the fiscal years ended September 30, 2010 and 2009, the taxable income of the German SEAS group companies was subject to German trade tax (local income tax) with 17.00% (2009: 16.28%), based on an average municipal multiplier of 485.85% (2009: 465.16%). Thus the overall combined tax rate would amount to 32.83% (2009: 32.11%).

The German corporation tax of the shareholders was not recognized in the Combined Financial Statements, but the combined tax rate of 32.83% (2009: 32.11%) has been applied for the tax rate reconciliation. The expected corporate tax is shown in the tax reconciliation. The impact of the difference between the effective combined tax rate of 32.83% (2009: 32.11%) and the trade tax rate of 17.00% (2009: 16.28%) is disclosed in the row "German tax rate differential for limited partnership" below.

	Year ended September 30, 2010	2009
Income before tax	(7,172)	(142,844)
Tax rate 32.83% (2009: 32.11%)		
Expected income tax benefit	2,354	45,868
German tax rate differential for limited partnership	(2,098)	(23,509)
Foreign tax rate differential	525	(628)
Taxes for prior years	(1,475)	45
Change in tax rates	(132)	615
Non-deductible expenses and losses	(749)	(676)
Tax-free income	301	–
Changes in recognition and measurement of deferred tax assets	(3,993)	(29,979)
Other	622	(590)
Income tax expense	**(4,645)**	**(8,854)**

(in thousands of euro, except where otherwise stated)

Deferred income tax assets and liabilities, on a net basis are summarized as follows:

	September 30, 2010	September 30, 2009
Deferred tax assets:		
Financial assets	204	19
Intangible assets	85	620
Plant and equipment	20	148
Inventories	765	741
Receivables	332	312
Pension plans and similar commitments	1,870	609
Provisions	403	2,617
Liabilities and accruals	97	507
Tax losses and credit carry-forward	–	747
Other	11	236
Deferred tax assets	3,787	6,556
Netting	(2,406)	(1,633)
Deferred tax assets as presented in the Combined Statement of Financial Position	1,381	4,923

	September 30, 2010	September 30, 2009
Deferred tax liabilities:		
Financial assets	–	–
Intangible assets	–	–
Plant and equipment	(1,234)	(1,509)
Inventories	(1,453)	(4,540)
Receivables	(44)	(164)
Pension plans and similar commitments	(31)	(8)
Provisions	(97)	(55)
Liabilities and accruals	(10)	(311)
Other	(211)	(358)
Deferred tax liabilities	(3,080)	(6,945)
Netting	2,406	1,633
Deferred tax liabilities as presented in the Combined Statement of Financial Position	(674)	(5,312)
Net deferred tax asset (liabilities)	**707**	**(389)**

In assessing the realizability of deferred tax assets, management considers to what extent it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which the underlying temporary differences and tax loss carry-forwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

For deductible differences and tax loss carry-forwards identified as not realizable no deferred tax asset was recognized.

(in thousands of euro, except where otherwise stated)

Deferred tax assets have not been recognized in respect of the following items (gross amounts):

	September 30, 2010	2009
Deductible temporary differences	26,132	8,076
Tax loss carry-forward	7,134	183,981

As of September 30, 2010 and 2009 5,775 and 5,787 of the unrecognized tax loss carry-forwards expire over the periods to 2030.

Due to the merger of Siemens Electronics Assembly Systems Beteiligungen GmbH & Co. KG, Munich with Siemens AG in October 2009, the tax loss carry-forwards amounting to Million euro 176.9 were lost as result of the change of shareholders.

Including the items charged or credited directly to equity and the expense from operations, the total income tax benefit consists of the following:

	Year ended September 30, 2010	2009
Income tax benefit/(expense) recognized:		
– in income statement	(4,645)	(8,854)
– directly in equity	1,111	236
	(3,534)	**(8,618)**

10. TRADE RECEIVABLES

Trade receivables as of September 30, 2010 and 2009 consist of trade receivables from the sale of goods and services to third parties of 65,220 and 25,517 net of valuation allowances of 3,304 and 2,317 respectively.

The valuation allowance on the SEAS' trade receivables changed as follows:

	Year ended September 30, 2010	2009
Valuation allowance as of beginning of fiscal year	2,317	3,057
Increase (decrease) in valuation allowances recorded in the Combined Statement of Income	1,313	(669)
Write-offs charged against the allowance	(383)	(50)
Foreign exchange translation differences	57	(21)
Valuation allowance as of fiscal year-end	**3,304**	**2,317**

(in thousands of euro, except where otherwise stated)

11. OTHER CURRENT FINANCIAL ASSETS

	September 30, 2010	September 30, 2009
Fair value of derivative financial instruments	449	1,067
Payments to be received back from suppliers	71	251
Receivables from employees	36	57
Other	589	545
	1,145	**1,920**

Other mainly refers to an outstanding reimbursement from the Economic Development Board (EDB) to SEAS Singapore.

12. INVENTORIES

	September 30, 2010	September 30, 2009
Raw materials and supplies	33,897	27,804
Work in process	25,493	26,816
Finished goods and products held for resale	35,832	17,613
Advances to suppliers	547	69
	95,769	72,302
Advance payments received	(12,260)	(3,596)
	83,509	**68,706**

The Combined Statement of Income for fiscal years 2010 and 2009 includes an income of 22,635 from the decrease in valuation allowance and an expense of 7,488 for inventory valuation allowance, respectively. The decrease in the valuation allowance in fiscal 2010 is mainly attributable to the SMT market recovery and the related increase in SEAS' sales volume.

13. OTHER CURRENT ASSETS

	September 30, 2010	September 30, 2009
Value added tax	6,208	7,545
Prepaid expenses	806	894
Other	61	–
	7,075	**8,439**

Value added tax balance as of September 30, 2010 and 2009 has resulted from input tax paid in the last two months of the fiscal year mainly in Germany.

(in thousands of euro, except where otherwise stated)

14. INTANGIBLE ASSETS

	Software	Patents, licenses and similar rights	Total
Gross carrying amount as of 10/01/09	181	1,211	**1,392**
Additions	17	500	**517**
Retirements	(6)	–	**(6)**
Translation differences	18	–	**18**
Gross carrying amount as of 09/30/10	210	1,711	**1,921**
Accumulated amortization and impairment	(158)	(1,267)	**(1,425)**
Net book value as of 09/30/10	52	444	**496**
Impairment during fiscal year 2010	–	–	**–**
Amortization during fiscal year 2010	(13)	(138)	**(151)**

	Software	Patents, licenses and similar rights	Total
Gross carrying amount as of 10/01/08	192	2,851	**3,043**
Additions	18	87	**105**
Retirements	(29)	(1,727)	**(1,756)**
Gross carrying amount as of 09/30/09	181	1,211	**1,392**
Accumulated amortization and impairment	(137)	(1,129)	**(1,266)**
Net book value as of 09/30/09	44	82	**126**
Impairment during fiscal year 2009	–	–	**–**
Amortization during fiscal year 2009	(21)	(3)	**(24)**

Amortization expense on intangible assets is included in *Cost of goods sold and services rendered, Research and development expenses, Marketing and selling expenses* or *General administrative expenses*, depending on the use of the asset.

As of September 30, 2010 and 2009, SEAS did not have any commitments for purchase of intangible assets.

(in thousands of euro, except where otherwise stated)

15. PLANT AND EQUIPMENT

	Leasehold improvements	Technical machinery and equipment	Furniture and office equipment	Advances to suppliers and construction in progress	Total
Gross carrying amount as of 10/01/09	1,595	8,065	38,003	6	**47,669**
Additions	102	257	7,040	26	**7,425**
Retirements	(393)	(2,063)	(7,771)	–	**(10,227)**
Translation differences	234	249	1,408	–	**1,891**
Gross carrying amount as of 09/30/10	1,538	6,508	38,680	32	**46,758**
Accumulated depreciation and impairment	(1,175)	(4,790)	(26,987)	–	**(32,952)**
Net book value as of 09/30/10	363	1,718	11,693	32	**13,806**
Impairment during fiscal year 2010	–	–	–	–	**–**
Depreciation during fiscal year 2010	(276)	(385)	(6,352)	–	**(7,013)**

	Leasehold improvements	Technical machinery and equipment	Furniture and office equipment	Advances to suppliers and construction in progress	Total
Gross carrying amount as of 10/01/08	5,011	12,103	47,747	133	**64,994**
Additions	126	472	8,381	(137)	**8,842**
Retirements	(3,550)	(4,589)	(18,041)	–	**(26,180)**
Translation differences	8	79	(84)	10	**13**
Gross carrying amount as of 09/30/09	1,595	8,065	38,003	6	**47,669**
Accumulated depreciation and impairment	(1,090)	(6,070)	(25,735)	–	**(32,895)**
Net book value as of 09/30/09	505	1,995	12,268	6	**14,774**
Impairment during fiscal year 2009	–	(209)	(1,053)	–	**(1,262)**
Depreciation during fiscal year 2009	(445)	(753)	(6,841)	–	**(8,039)**

Depreciation expense as well as impairment charges on plant and equipment are included in *Cost of goods sold and services rendered, Research and development expenses, Marketing and selling expenses* and *General administrative expenses*, depending on the use of the asset.

In fiscal 2009 the retirements of plant and equipment are mainly attributable to the Portfolio-Streamlining (please refer to Note 8).

In connection with the restructuring activities carried out in fiscal year 2009 (see Note 8) SEAS reviewed the recoverable amount of its machinery and manufacturing and office equipment. The review led to an impairment loss amounting to 1,262 which has been recognized in the Combined Statement of Income. The impairment was measured at the assets fair value less costs to sell. The assets fair value was based on best information available to reflect the amount that SEAS could obtain from the disposal of these assets in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of the disposal.

As of September 30, 2010 and 2009, SEAS did not have any commitments for purchase of property, plant and equipment.

(in thousands of euro, except where otherwise stated)

16. OTHER ASSETS

	September 30, 2010	2009
Prepaid pension costs	440	364
Other prepaid expenses	613	1,291
	1,053	**1,655**

17. SHORT-TERM DEBT

As of September 30, 2010 and 2009, the Brazilian entity of SEAS had a short-term loan from a bank amounting to 864 and 1,037 respectively. The loan is subject to interest amounting to 108% and 119.5% of Brazilian interbank deposit rate (Certificados de Depósitos Interbancários / CDI), respectively.

The credit facilities at September 30, 2010 consisted of 13,417 in committed lines of credit, all of these lines of credit remained unused. The facilities are for general business purposes and are backed by letters of support from Siemens AG. In accordance with the Master Sale and Purchase Agreement between Siemens Aktiengesellschaft and ASM Pacific Technology Limited ("the MSPA"), these letters of support will be terminated prior the completion of the sale transaction.

As of September 30, 2009, SEAS had no open lines of credit.

18. OTHER CURRENT FINANCIAL LIABILITIES

	September 30, 2010	2009
Payments due back to customers	803	530
Fair value of derivative financial instruments	171	205
Other	93	56
	1,067	**791**

19. OTHER CURRENT LIABILITIES AND ACCRUALS

	September 30, 2010	2009
Other employee related costs	18,752	6,883
Payroll and social security taxes	7,017	6,211
Bonus obligations	5,883	4,524
Accrued liabilities	6,044	3,536
Accruals for outstanding invoices	3,549	2,865
Sales tax and other tax liabilities	4,652	2,013
Deferred income	724	522
Other	475	259
	47,096	**26,813**

Other employee related costs primarily include employee termination benefits, vacation payments, accrued overtime and service anniversary awards.

Employee termination benefits include the short-term portion of the restructuring accrual (see Note 8), amounting to 10,444 and 161, respectively, as of September 30, 2010 and 2009.

(in thousands of euro, except where otherwise stated)

Accrued liabilities mainly include the accrual in connection with a lawsuit amounting to 2,500 as of September 30, 2010 and 2009 and the accrual for costs relating to dismantling and removing tenant fixtures in rented buildings in Germany amounting to 2,493 and 886 as of September 30, 2010 and 2009, respectively (see also Note 22 and 29). For further details regarding the lawsuit, please see Note 24.

20. PENSION PLANS AND SIMILAR COMMITMENTS

Pension benefits provided by SEAS are currently organized primarily through defined benefit pension plans which cover virtually all of SEAS' domestic employees and many of SEAS' foreign employees. In order to fund SEAS's pension obligations, several pension plans are funded with assets in segregated pension entities. In the case of Germany, only pension obligations for Deferred Compensation have been funded by way of a reimbursement right and partially by investments as of September 30, 2010. For a detailed description see "Pension obligations and funded status" below.

Furthermore, SEAS provides other post-employment benefits, which consist of transition payments and death benefits to German employees after retirement as well as post-employment health care and life insurance benefits to employees in the USA. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans under IFRS.

In addition to the above, SEAS has foreign defined contribution plans for pensions and other post-employment benefits or makes contributions to social pension funds based on legal regulations. The recognition of a liability is not required because the obligation of SEAS is limited to the payment of the contributions into these plans or funds.

596 employees refused the transfer from the Siemens AG to the new German SEAS legal entity as of December 31, 2008. According to German law (§ 613a BGB) these employees remain employees of Siemens AG although the business was transferred into a new legal entity. The decrease of pension obligations and plan assets due to the transfer of a smaller number of plan participants than expected was recognized as a transfer out, not influencing the net income.

Additionally, pension plan asset exist at SEAS business in the US and UK. The pension plan assets have been allocated in line with group pension plans recorded at the respective Siemens Regional Companies as of October 1, 2008 and were projected forward to September 30, 2009 and 2010 respectively.

Accounting for defined benefit plans

Combined Statement of Financial Position

Defined benefit plans determine the entitlements of their beneficiaries. An employee's final benefit entitlement at regular retirement age may be higher than the fixed benefits at the Statement of Financial Position date due to future compensation or benefit increases. The net present value of this ultimate future benefit entitlement for service already rendered is represented by the Defined Benefit Obligation (DBO), which is calculated with consideration of future compensation increases by actuaries. The DBO is calculated based on the projected unit credit method and reflects the net present value as of the Statement of Financial Position date of the accumulated pension entitlements of active employees, former employees with vested rights and of retirees and their surviving dependants with consideration of future compensation and pension increases.

In the case of unfunded plans, the recognized pension liability is equal to the DBO adjusted by unrecognized past service cost. In the case of funded plans, the fair value of the plan assets is offset against the benefit obligations. The net amount, after adjusting for the effects of unrecognized past service cost, is recognized as a pension liability or prepaid pension asset.

(in thousands of euro, except where otherwise stated)

The Combined Statement of Financial Position includes the following significant components related to pension plans and similar commitments based upon the situation as of September 30, 2010 and 2009 respectively:

	September 30, 2010	2009
Principal pension benefit plans	22,699	17,179
Principal other post-employment benefit plans	2,022	1,743
Other commitments	301	378
Liabilities for pension plans and similar commitments	25,022	19,300
Prepaid pension assets and investments	462	483
Reimbursement right	–	837
Actuarial gains	(4,555)	(2,357)
Income tax effect	1,111	493
Net amount recognized in the *Other comprehensive income* (net of tax)	**(3,444)**	**(1,864)**

Combined Statement of Income

The recognized expenses related to pension plans and similar commitments in the Combined Statement of Income are stated as the net periodic benefit cost (NPBC). NPBC consists of several separately calculated and presented components. One component is service cost, which is the actuarial net present value of the part of the DBO for the service rendered in the respective fiscal year. Additionally, interest cost are taken into account for the expense derived from the addition of accrued interest on the DBO at the end of the preceding fiscal year on the basis of the identified discount rate. Other components are the expected return on plan assets in the case of funded benefit plans and past service cost, which are amortized on a straight-line basis over the average vesting period of the related benefits.

In the Combined Statement of Income, interest cost and the income from the expected return on plan assets and the reimbursement right are reported as part of *Interest expense* and *Interest Income* respectively. All other components of NPBC are allocated among functional costs *(Cost of goods sold and services rendered, Research and development expenses, Marketing, selling and general administrative expenses)*, according to the function of the employee group accruing the benefits.

SEAS recognizes actuarial gains and losses pursuant to IAS 19.93A, commonly referred to as the third option under IAS 19. Under this option these gains and losses are recognized (a) immediately in the year they arise and (b) in equity (other comprehensive income) rather than the income statement.

Pension benefits

In fiscal 2010 the pension benefit plans cover approximately 1,558 participants[2] (2009: 1,618), including 1,366 active employees (2009: 1,550), 175 former employees with vested benefits (2009: 60) and 17 retirees and surviving dependants (2009: 8). Individual benefits are generally based on compensation levels and/or ranking within SEAS' hierarchy and years of service. Retirement benefits under these plans vary depending on the legal, fiscal and economic requirements in each country. The majority of SEAS' active employees in Germany participate in a pension scheme introduced in fiscal year 2004, the BSAV ("Beitragsorientierte Siemens Altersversorgung"). The BSAV is an unfunded defined benefit pension plan whose benefits are predominantly based on contributions made by SEAS and returns earned on such contributions, subject to a minimum return guaranteed by SEAS.

SEAS' principal pension benefit plans are explicitly explained in the subsequent sections with regard to:

- Pension obligations and funded status,
- Components of NPBC,
- Amounts recognized in *Other comprehensive income,*

2 Please note that employees can participate in more than one plan

(in thousands of euro, except where otherwise stated)

- Assumptions used for the calculation of the DBO and NPBC,
- Plan assets and reimbursement right

SEAS did not have any asset ceiling in its principal pension benefit plans in fiscal year 2010.

Pension benefits: Pension obligations and funded status

A reconciliation of the funded status of the principal pension benefit plans to the amounts recognized in the Combined Statement of Financial Position is as follows:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Fair value of plan assets and reimbursement right	8,581	1,212	7,369	7,237	948	6,289
Total defined benefit obligation	30,818	23,752	7,066	23,096	16,905	6,191
Defined benefit obligation (funded)	8,206	1,285	6,921	7,014	948	6,066
Defined benefit obligation (unfunded)	22,612	22,467	145	16,082	15,957	125
Funded status[3]	(22,237)	(22,540)	303	(15,859)	(15,957)	98
Unrecognized past service cost (benefits)	–			–		
Effects due to asset ceiling	–			–		
Net amount recognized	**(22,237)**			**(15,859)**		
Amounts recognized in the Combined Statement of Financial Position consist of:						
Prepaid pension asset and investments	462			483		
Pension liability	(22,699)			(17,179)		
Reimbursement right	–			837		

A detailed reconciliation of the **changes in the DBO** (DBO roll forward) for fiscal years 2010 and 2009 as well as additional information for Germany is provided in the following table:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Defined benefit obligation at beginning of year	23,096	16,905	6,191	36,101	29,332	6,769
Foreign currency exchange rate changes	422	–	422	(454)	–	(454)
Service cost	1,846	1,723	123	2,077	1,924	153
Interest cost	1,386	1,009	377	1,539	1,119	420
Settlements and curtailments	(216)	–	(216)	(1,289)	–	(1,289)
Plan participants' contributions	382	382	–	–	–	–
Actuarial (gains) losses	4,873	4,335	538	2,234	1,458	776
Transfer In/(Out)[4]	(588)	(588)	–	(16,928)	(16,928)	–
Benefits paid	(383)	(14)	(369)	(184)	–	(184)
Defined benefit obligation at end of year	**30,818**	**23,752**	**7,066**	**23,096**	**16,905**	**6,191**

The transfer out in fiscal year 2009 is mainly attributable due to fewer plan participants of the Siemens "Pensionen alt", deferred compensation and "BSAV" in Germany being transferred to the SEAS business as of September 30, 2009.

[3] Please note that the funded status shows the surplus (deficit) of the DBO relative to the plan assets and the reimbursement right as of the balance sheet date

[4] Relates to employees that changed from an employment at other Siemens entities to an employment at SEAS (transfer in) or vice versa

(in thousands of euro, except where otherwise stated)

The total defined benefit obligation at the end of the fiscal year 2010 consists of approximately 25,646 for active employees (2009: 21,045), 4,479 for former employees with vested benefits (2009: 1,773) and 693 for retirees and surviving dependants (2009: 278).

The following table shows the **change in plan assets and reimbursement right** (Asset roll forward) for fiscal year 2010 and 2009 and some additional information concerning pension plans:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Fair value of plan assets and reimbursement right at beginning of year	7,237	948	6,289	8,770	2,194	6,576
Foreign currency exchange rate changes	419	–	419	(447)	–	(447)
Expected return on plan assets and reimbursement right	503	59	444	552	143	409
Actuarial gains (losses) on plan assets and reimbursement right	430	16	414	(13)	74	(87)
Other[5]	(194)	(194)	–	(1,463)	(1,463)	–
Employer contributions (regular)	164	–	164	22	–	22
Plan participants' contributions	382	382	–	–	–	–
Benefits paid	(360)	–	(360)	(184)	–	(184)
Fair value of plan assets at end of year	**8,581**	**1,211**	**7,370**	**7,237**	**948**	**6,289**

In Germany, by contractual obligation, the reimbursement right for pension obligations regarding Deferred Compensation equals the corresponding DBO as of September 30, 2009 less transferred investment funds amounting to 111. The remaining reimbursement obligation was settled by Siemens. The DBO regarding pension obligations for "Pensionen alt and BSAV" is not funded.

Pension benefits: Components of NPBC

The components of the NPBC for the fiscal years ended September 30, 2010 and 2009 are as follows:

	Year ended September 30, 2010			Year ended September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Service cost	1,846	1,723	123	2,077	1,924	153
Interest cost	1,386	1,009	377	1,539	1,119	420
Expected return on plan assets	(503)	(59)	(444)	(409)	–	(409)
Expected return on reimbursement right	–	–	–	(143)	(143)	–
Amortization of past service cost (benefits)	–	–	–	–	–	–
Loss (gain) due to settlements and curtailments	(216)	–	(216)	(1,269)	–	(1,269)
Net periodic benefit cost	**2,513**	**2,673**	**(160)**	**1,795**	**2,900**	**(1,105)**

5 Includes transfer in and out related to employees who changed to/from SEAS from/to other Siemens entities

(in thousands of euro, except where otherwise stated)

Service cost for pension plans and similar commitments are allocated among functional costs *(Cost of goods sold and services rendered, Research and development expenses, Marketing, selling* and *General administrative expenses). Interest cost* and *Expected return on plan assets and reimbursement right* are included in *Financial expense, net.*

Pension benefits: Amounts recognized in *Other comprehensive income*

The actuarial gains and losses from the defined benefit pension plans recognized in *Other comprehensive income* for the fiscal year ended September 30, 2010 and 2009 were as follows:

	Year ended September 30, 2010			Year ended September 30, 2009		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Actuarial losses (gains)	4,443	4,318	125	2,247	1,384	863
Income tax effect	(1,090)	(1,048)	(42)	(471)	(225)	(246)
Net amount recognized in *Other comprehensive income*	**3,353**	**3,270**	**83**	**1,776**	**1,159**	**617**

Pension benefits: Assumptions for the calculation of the DBO and NPBC

The applied discount rates, compensation increase rates and the pension trend used in calculating the DBO together with the long-term rates of return on plan assets and the reimbursement right vary according to the economic conditions of the country where the retirement plans are in place or where plan assets are invested, as well as capital market expectations.

The weighted-average assumptions used for determining the DBO for the fiscal years ended September 30, 2010 and 2009 as well as the NPBC for the fiscal years ended September 30, 2010 and 2009 are shown in the following table:

	Year ended September 30, 2010			Year ended September 30, 2009		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Discount rate	4.4%	4.26%	5.0%	5.8%	5.8%	5.7%
Expected return on plan assets and reimbursement right	6.6%	6.5%	6.8%	6.7%	6.5%	6.8%
Rate of compensation increase	2.5%	2.25%	3.4%	2.6%	2.3%	3.5%

The assumptions used for the calculation of the DBO as of the Statement of Financial Position date of the preceding fiscal year are used to determine the calculation of interest cost and service cost of the following year. Therefore, the assumptions used for the calculation of the NPBC for fiscal year 2010 have already been determined. The total expected return for fiscal year 2010 is based on the expected rates of return multiplied by the fair value of plan assets at the fiscal year 2009 Statement of Financial Position date.

The discount rate reflects yields on high-quality corporate bonds with an appropriate duration at the Statement of Financial Position date. The expected return on plan assets is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns.

(in thousands of euro, except where otherwise stated)

Pension benefits: Plan assets and reimbursement right

The pension asset allocation of the principal pension benefit plans as of the Statement of Financial Position date for fiscal years 2010 and 2009 are as follows:

Asset class	Asset allocation[6] September 30, 2010	2009
Equity	31%	28%
Fixed income	61%	54%
Real estate	5%	5%
Cash and other assets	3%	13%
Total	**100%**	**100%**

Derivatives are reported under the asset class whose risk is hedged. SEAS constantly reviews the asset allocation in light of the duration of its pension liabilities and analyzes trends and events that may affect asset values in order to initiate appropriate measures at a very early stage. The reimbursement right is included in *Receivables from Siemens group* on the Combined Statement of Financial Position as of September 30, 2009.

The following table shows the actual return on plan assets and reimbursement right for fiscal years 2010 and 2009:

	Year ended September 30, 2010			Year ended September 30, 2009		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Actual return on plan assets	933	75	858	322	–	322
Actual return on reimbursement right	–	–	–	217	217	–
Total	**933**	**75**	**858**	**539**	**217**	**322**

The actual return on plan assets in fiscal year 2010 is 12.9% or 933 compared to an expected return of 7.0% or 503. The experience adjustment arising on plan assets was 5.9% in fiscal 2010 (fiscal 2009: -1.3%). For the domestic pension plans, 75 or 7.9% was realized, as compared to an expected return on plan assets of 6.2% or an amount of 59 that was included in the NPBC. For the foreign pension plans, 858 or 13.6% was realized, as compared to an expected return on plan assets of 7.0% or an amount of 444 that was included in the NPBC.

The actual return on plan assets in fiscal year 2009 was 4.9% or 322 compared to an expected return of 6.2% or 409. The experience adjustment arising on plan assets was -1.3% in fiscal 2009.

Employer contributions of 164 to funded plan and respective pension assets were paid directly by the employer in fiscal year 2010 (2009: nil) while contributions for fiscal year 2011 can not be reasonably estimated.

Principal other post-employment benefits

In Germany, employees who joined SEAS on or before September 30, 1983, are entitled to transition payments and death benefits. In the respect of the transition payments for the first six months after retirement participants receive the difference between their final compensation and the retirement benefits payable under the corporate pension plan. In the U.S., other post-employment benefits are provided by SEAS in the form of medical, dental and life insurance. The amount of obligations for other post-employment benefits in the form of medical and dental benefits specifically depends on the expected cost trend in the health care sector. To be eligible to such healthcare benefits participants must contribute to the insurance premiums. Participant contributions are based on specific regulations of cost sharing which are defined in the benefit plans. SEAS has the right to adjust the cost allocation at any time; generally this is done on an annual basis. Premiums for life insurance benefits are paid solely by SEAS.

[6] The asset allocation at SEAS reflects the allocation recorded at the respective Siemens Regional Companies

(in thousands of euro, except where otherwise stated)

Other post-employment benefits are illustrated in detail in the subsequent sections with regard to:

- Obligations and funded status,
- Components of NPBC for other post-employment benefits,
- Amounts recognized in *Other comprehensive income*
- Assumptions used in the calculation of the DBO and the NPBC for other post-employment benefits

SEAS did not have any asset ceiling in its principal other post-employment benefit plans in fiscal 2010 and 2009.

Other post-employment benefits: Obligations and funded status

The funded status of plan assets and a reconciliation of the funded status to the amounts recognized in the Combined Statement of Financial Position as of September 30, 2010 and 2009 are as follows:

	September 30, 2010			**September 30, 2009**		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Fair value of plan assets	–	–	–	–	–	–
Total defined benefit obligation	2,036	1,483	553	1,743	1,240	503
Defined benefit obligation (funded)	–	–	–	–	–	–
Defined benefit obligation (unfunded)	2,036	1,483	553	1,743	1,240	503
Funded status	(2,036)	(1,483)	(553)	(1,743)	(1,240)	(503)
Unrecognized past service cost (benefits)	14	–	14	–	–	–
Net amount recognized	**(2,022)**	**(1,483)**	**(539)**	**(1,743)**	**(1,240)**	**(503)**

The following table shows a detailed reconciliation of the changes in the benefit obligation for other post-employment benefits for the years ended September 30, 2010 and 2009:

	September 30, 2010			**September 30, 2009**		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Defined benefit obligation at beginning of fiscal year	1,743	1,240	503	3,915	3,433	482
Foreign currency exchange rate changes	31	–	31	(11)	–	(11)
Service cost	83	69	14	68	58	10
Interest cost	99	70	29	143	108	35
Plan amendments and other	14	–	14	(83)	–	(83)
Actuarial (gains) losses	112	104	8	109	71	38
Transfer In/(Out)[7]	–	–	–	(2,367)	(2,430)	63
Transfer of defined benefit obligation	–	–	–	–	–	–
Benefits paid	(46)	–	(46)	(31)	–	(31)
Defined benefit obligation at end of fiscal year	**2,036**	**1,483**	**553**	**1,743**	**1,240**	**503**

The transfer out in fiscal year 2009 is mainly attributable to fewer plan participants of the Siemens "Übergangszahlungen" and "Sterbegeld" in Germany who refused the transfer to the SEAS business.

7 Relates to employees that changed from an employment at other Siemens entities to an employment at SEAS (transfer in) or vice versa

(in thousands of euro, except where otherwise stated)

Other post-employment benefits: Components of NPBC

The components of the NPBC for other post-employment benefits for the year ended September 30, 2010 and 2009 are as follows:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Service cost	83	69	14	68	58	10
Interest cost	99	70	29	143	108	35
Amortization of unrecognized past service cost (benefits)	–	–	–	(83)	–	(83)
Loss (gain) due to settlements and curtailments	–	–	–	–	–	–
Net periodic benefit cost (income)	**182**	**139**	**43**	**128**	**166**	**(38)**

Other post-employment benefits: Amounts recognized in *Other comprehensive income*

The actuarial gains and losses on other post-employment benefit plans recognized in the Combined Statement of Comprehensive Income for the fiscal years ended September 30, 2010 and 2009 are as follows:

	September 30, 2010			September 30, 2009		
	Total	**Domestic**	**Foreign**	**Total**	**Domestic**	**Foreign**
Actuarial losses (gains)	112	104	8	109	71	38
Income tax effect	(21)	(18)	(3)	(22)	(11)	(11)
Net amount recognized in *Other comprehensive income*	**91**	**86**	**5**	**87**	**60**	**27**

Other post-employment benefits: Assumptions used in the calculation of the DBO and NPBC

Discount rates and other key assumptions used for transition payments in Germany are the same as those applied for domestic pension benefit plans.

The weighted-average assumptions used in calculating the actuarial values for the post-employment healthcare and life insurance benefits for the fiscal years 2010 and 2009 are as follows:

	Year ended September 30, 2010	2009
Discount rate	4.63%	5.63%
Medical trend rates (initial/ultimate/year):		
Medicare ineligible pre-65	8.5% / 5.0% / 2017	8.5% / 5.0% / 2017
Medicare eligible post-65	9.0% / 5.0% / 2018	9.0% / 5.0% / 2018
Dental trend rates (initial/ultimate/year)	6.0% / 5.0% / 2021	6.0% / 5.0% / 2021

A one percent increase or a one percent decrease in current medical trend rate assumption would not affect SEAS' defined benefit obligation.

Other commitments

The Combined Statement of Financial Position also includes liabilities for other commitments consisting of liabilities for special plans in Italy ("Trattamento di fine rapport") and Austria ("Abfertigungen"). Within the consideration of those plans, interest cost to an amount of 18 and 23, respectively, were recorded in the Combined Income Statement for the fiscal years 2010 and 2009.

(in thousands of euro, except where otherwise stated)

Accounting for defined contributions pension plans

The amount recognized as an expense for defined contribution amounted to 664 and 547, respectively, in fiscal years 2010 and 2009.

Treatment of pension liabilities and assets according to the MSPA

According to the MSPA, all pension liabilities and corresponding plan assets will be transferred to ASM with effect as of the closing date of the sale transaction, except of those liabilities and assets related to the defined benefit plans in the UK and the USA.

The Combined Financial Statements include the following amounts related to the defined benefit plans in the UK and the USA:

Combined Statement of Financial Position	**September 30, 2010**	**2009**
Liabilities for pension plans and similar commitments	591	690
Prepaid pension assets and investments	462	372

Combined Statement of Income	**Year ended September 30, 2010**	**2009**
Service cost	140	158
Interest cost	391	451
Expected return on plan assets	(439)	(409)
Amortization of past service cost (benefits)	–	(82)
Loss (gain) due to settlements and curtailments	(214)	(1,269)

Combined Changes in Equity	**Year ended September 30, 2010**	**2009**
Actuarial gains	124	888
Income tax effect	(15)	(253)

21. PROVISIONS

During fiscal year 2010 provisions changed as follows:

	Warranties	**Order related losses and risks**	**Onerous purchase contracts**	**Other**	**Total**
Balance as of 09/30/09	24,722	2,234	7,902	732	**35,590**
Additions	29,454	1,659	54	968	**32,135**
Usage	(14,096)	(1,249)	(682)	(52)	**(16,079)**
Reversals	(6,251)	(920)	(7,272)	(127)	**(14,570)**
Translation differences	1,167	47	242	34	**1,490**
Balance as of 09/30/10	**34,996**	**1,771**	**244**	**1,555**	**38,566**

Thereof:

	Warranties	**Order related losses and risks**	**Onerous purchase contracts**	**Other**	**Total**
Short-term portion	20,983	1,771	244	1,528	**24,526**
Long-term portion	14,013	–	–	27	**14,040**
	34,996	**1,771**	**244**	**1,555**	**38,566**

(in thousands of euro, except where otherwise stated)

During fiscal year 2009 provisions changed as follows:

	Warranties	**Order related losses and risks**	**Onerous purchase contracts**	**Other**	**Total**
Balance as of 10/01/08	44,025	1,334	1,556	1,134	**48,049**
Additions	11,885	1,826	7,290	354	**21,355**
Usage	(17,319)	(402)	(369)	(260)	**(18,350)**
Reversals	(13,994)	(496)	(571)	(492)	**(15,553)**
Translation differences	125	(28)	(4)	(4)	**89**
Balance as of 09/30/09	**24,722**	**2,234**	**7,902**	**732**	**35,590**

Thereof:

	Warranties	**Order related losses and risks**	**Onerous purchase contracts**	**Other**	**Total**
Short-term portion	20,643	2,234	7,902	703	**31,482**
Long-term portion	4,079	–	–	29	**4,108**
	24,722	**2,234**	**7,902**	**732**	**35,590**

The majority of SEAS' provisions are generally expected to result in cash outflows within the next two years.

Warranties

In fiscal 2010 the increase in the warranty provision is attributable to the increase in sales volume during fiscal 2010.

The decrease in the warranty provision in fiscal 2009 was attributable to the decrease in sales volume occurred in the preceding two years and the release of the provision due to expiration of the warranty period.

Order related losses and risks

Provisions for order related losses and risks are recognized for anticipated losses on onerous sales contracts.

Onerous purchase contracts

The provision for onerous purchase contracts relates to unavoidable purchase commitments with suppliers of materials. Due to global economic downturn sales volumes by SEAS decreased sharply in fiscal 2009. Therefore, management assessed that the goods not yet delivered would not be fully utilized by SEAS in its operating activities. In order to cover expected compensation payments to suppliers for non-fulfillment of the purchase contracts, a provision for onerous purchase contracts was made in fiscal 2009.

Due to the market recovery and increase in sales and production in fiscal 2010, management reassessed the prior year's estimate with respect to the onerous purchase contracts and released the main part of the provision.

As of September 30, 2010 *Other* mainly includes warranty without a legal obligation of 598 (2009: 317) as well as asset retirement obligations of 270 (2009: 231).

(in thousands of euro, except where otherwise stated)

22. OTHER LIABILITIES AND ACCRUALS

	September 30, 2010	2009
Accrual for dismantling and removing costs	–	2,493
Employee related costs	1,781	687
Deferred income	37	77
Other	8	13
	1,826	**3,270**

Employee related costs include the long-term portion of the restructuring accrual (see Note 8), amounting to 1,522 and 0, respectively, as of September 30, 2010 and 2009.

The accrual for dismantling and removing costs as of September 30, 2009 related to the rented buildings in Germany and was reclassified to *Other current liabilities and accruals* in fiscal 2010, as SEAS plans to settle its obligation within fiscal 2011.

23. EQUITY

As stated in Note 1, the SEAS entities are still legally owned by the Siemens Regional Companies. Therefore, currently there is no single controlling SEAS entity. The financial information of the SEAS entities included in the Combined Financial Statements has therefore been combined based on the assumption of a notional group structure.

The equity of SEAS is separated into the following parts:

- Investment by Siemens
- Other components of equity

Investment by Siemens

During fiscal years 2010 and 2009, this component of equity was affected by dividends as well as by other changes in net assets without effect on the income statement.

During the year ended September 30, 2010, the SEAS entity in Austria distributed dividends totaling 6,895 to their shareholders. During the year ended September 30, 2009, the SEAS entity in China distributed dividends totaling 9,503 to their shareholders.

In fiscal 2010, Siemens made capital contributions of Million euro 30.0 to SEAS KG, of Million euro 5.0 to Siemens Electronics Assembly Systems Pte. Ltd., Singapore and of Million euro 1.7 to Siemens Electronics Assembly Systems AB, Stockholm.

During fiscal year 2009, investment by Siemens was mainly affected by the net assets transfer in SEAS in relation to the carve out activities. Further, cash amounting to 122,356 was infused by SAG into the SEAS business units in fiscal year 2009. The most significant injection in the fiscal year 2009 was into Siemens Electronics Assembly Systems GmbH & Co. KG, Munich, whose equity was increased by an amount totaling 110,000.

Other components of equity

Other components of equity comprise income and expenses directly recognized within the equity without having an effect on the income statement. Those consist of the currency translation adjustments.

Additional capital disclosures

All SEAS entities are fully-owned by the Siemens Regional Companies. The SEAS capital management strategy is accordingly derived from the strategy of Siemens AG and focuses on working capital management. Neither of SEAS entities is subject to externally imposed capital requirements.

(in thousands of euro, except where otherwise stated)

24. COMMITMENTS AND CONTINGENCIES

Legal proceedings

In fiscal 2009 one of the suppliers raised a claim against SEAS. SEAS management estimated the expected financial effect to an amount of 2,500 and accrued this amount accordingly (see Note 19). The legal proceedings have not been finalized yet, however SEAS management believes the accrued liability will be sufficient to meet the obligation under the claim. The resolution of this legal proceeding is expected in fiscal 2011.

SEAS is not aware of any other legal proceedings that would have an adverse or material impact on its financial results or conditions.

Guarantees and other commitments

In fiscal 2010 guarantees amounted to 3,274 and mainly refer to advance payment guarantees of 2,249, customs guarantees of 698 and rental deposits of 219. In fiscal 2009 guarantees amounted to 2,110 and mainly refer to advance payment guarantees of 873, customs guarantees of 657 and rental deposits of 387.

As of September 30, 2010 and 2009, future payment obligations under non-cancellable operating leases were as follows:

	September 30,	
	2010	**2009**
Within 1 year	8,268	8,933
1 to 5 years	7,502	13,096
Thereafter	134	–
	15,904	**22,029**

Total operating rental expense for the year ended September 30, 2010 and 2009 was 9,120 and 20,957, respectively, including a compensation of 3,950 for the early termination of the rental for the property in Bruchsal and Munich, Germany for fiscal 2009. Operating rental expense and future obligations primarily relate to buildings rented from Siemens group companies and third parties.

25. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The following tables present the carrying amounts of financial assets and liabilities by categories of financial assets and liabilities:

Financial assets as of September 30, 2010

	Cash and cash equivalents	Loans and receivables	Assets at fair value through profit or loss	Total
Cash and cash equivalents	114,222	–	–	**114,222**
Receivables from Siemens group	–	15,322	–	**15,322**
Trade receivables	–	61,916	–	**61,916**
Other current financial assets	–	696	449	**1,145**
Other financial assets	–	49	–	**49**
	114,222	**77,983**	**449**	**192,654**

(in thousands of euro, except where otherwise stated)

Financial liabilities as of September 30, 2010

	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Short-term debt	–	864	**864**
Trade payables	–	29,117	**29,117**
Other current financial liabilities	171	896	**1,067**
Payables to Siemens group	–	74,604	**74,604**
	171	**105,481**	**105,652**

Financial assets as of September 30, 2009

	Cash and cash equivalents	Loans and receivables	Assets at fair value through profit or loss	Total
Cash	40,492	–	–	**40,492**
Receivables from Siemens group	–	58,218	–	**58,218**
Trade receivables	–	23,200	–	**23,200**
Other current financial assets	–	853	1,067	**1,920**
Other financial assets	–	34	–	**34**
	40,492	**82,305**	**1,067**	**123,864**

Financial liabilities as of September 30, 2009

	Liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
Short-term debt	–	1,037	**1,037**
Trade payables	–	20,643	**20,643**
Other current financial liabilities	205	586	**791**
Payables to Siemens group	–	50,733	**50,733**
	205	**72,999**	**73,204**

The fair values of cash and cash equivalents, current receivables, current payables, other current financial assets and liabilities and short-term debt approximate their carrying amount largely due to the short-term maturities of these instruments.

As of September 30, 2010 financial assets and liabilities measured at fair value are presented by the derivative instruments and amount to 449 (2009: 1,067) and 171 (2009: 205), respectively. SEAS uses foreign currency exchange contracts to manage its risk associated with fluctuations in foreign currency denominated receivables and payables. The default risk in SEAS' derivative instruments is minimal as derivative instruments are transacted only with SFS. The fair value of forward foreign exchange contracts is based on forward exchange rates. This fair value falls into Level 2 of the fair value hierarchy, i.e. based on inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(in thousands of euro, except where otherwise stated)

Net gains (losses) of financial instruments recognized in profit and loss are as follows:

	September 30, 2010	2009
Loans and receivables	(1,367)	1,452
Assets and liabilities at fair value through profit or loss	(4,522)	1,397
Cash and cash equivalents	(812)	–
Financial liabilities measured at amortized cost	1,651	–

Net gains (losses) on loans and receivables contain changes in valuation allowances, gains or losses on de-recognition and recoveries of amounts previously written-off as well as net foreign exchange gain. There were no gains and losses recognized against financial assets during fiscal 2010 and fiscal 2009 other than those associated with *Trade receivables*, see Note 10.

Net gains (losses) on assets and liabilities at fair value through profit and loss consist of changes in the fair value of derivative financial instruments.

In fiscal 2010 net gains (losses) on cash and cash equivalents and financial liabilities measured at amortized cost contain net foreign exchange gain (loss).

26. FINANCIAL RISK MANAGEMENT

Market risks

Market fluctuations may result in significant cash-flow and profit volatility risk for SEAS. Its worldwide operating business as well as financing activities are affected by changes in foreign exchange rates. SEAS seeks to manage and control this risk primarily through its regular operating activities and uses derivative instruments when deemed appropriate.

The management of financial market risk is a priority for SEAS management. As a member of management, the Chief Financial Officer has the specific responsibility for this part of the overall risk management system. For practical business purposes, management delegates responsibilities to central functions and to the individual SEAS entities.

Foreign currency exchange rate risk

Transaction risk and currency management

SEAS's international operations expose the SEAS business to foreign-currency exchange risks in the ordinary course of business. SEAS employs various strategies including the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. Each SEAS entity conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency is exposed to the risk from changes in foreign exchange rates. The risk is mitigated by closing all types of business transactions (sales and procurement of products and services as well as investment and financing activities) mainly in the functional currency. In addition, the foreign currency exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies as well as production activities and other contributions along the value chain in the local markets.

SEAS entities are prohibited from borrowing or investing in foreign currencies on a speculative basis. Financing or investments of operating units are preferably done in their functional currency or on a hedged basis.

SEAS has established a foreign exchange risk management system. Each SEAS entity is responsible for recording, assessing, monitoring, reporting and hedging its foreign currency transaction exposure. The binding guideline provides the concept for the identification and determination of the single net currency position and commits the entities to hedge at least 75% but no more than 100% of their net foreign currency exposure. The execution of the hedging transactions has been done with Siemens Financial Service GmbH.

(in thousands of euro, except where otherwise stated)

Within the methodologies to analyze and manage risk, SEAS utilized the system implemented by Siemens which is based on parametric variance-covariance Value-at-Risk ("VaR"). The VaR methodology provides a quantification of the market risk based on historical volatilities and correlations of the different risk factors under the assumptions of the parametric variance-covariance value at risk model.

The VaR for foreign exchange rates is calculated by aggregation of the net foreign exchange rate exposure. The figure disclosed here is based on the net foreign exchange position. As of September 30, 2010 and 2009, the foreign exchange rate risk based on historical volatilities and correlations, a 10 day holding period and a confidence level of 99.5 percent resulted in a VaR of 1,954 compared to a VaR of 893 in the year before. Changes in Euro values of future cash flows due to volatile exchange rates might influence the unhedged portion of revenues, but would also affect the unhedged portion of cost of materials. Future changes in the foreign exchange rates can impact sales prices and may lead to margin changes, the extent of which is determined by the matching of foreign currency revenues and expenses.

SEAS defines foreign exchange rate exposure generally as items of the statement of financial position in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash inflows and cash outflows from anticipated transactions for the following year. This foreign currency exposure is determined based on the respective functional currencies of the exposed SEAS entities.

Effects of currency translation

Many SEAS entities are located outside the euro zone. Since the financial reporting currency of SEAS is the euro, the financial statements of these entities are translated into euro so that the financial results can be included in the Combined Financial Statements of SEAS. To consider the effects of foreign exchange translation risk within risk management, the assumption is that investments in foreign-based operations are permanent and that there is continuous reinvestment. Effects from currency fluctuations on the translation of net asset amounts into euro are reflected in SEAS' combined equity position.

Interest rate risk

SEAS' exposure to the risk of changes in market interest rates is minimal. As of September 30, 2010 and 2009, SEAS had a short-term bank loan of 864 and 1,037 respectively. The loan is subject to interest amounting to 108% and 119.5% of CDI respectively, the benchmark overnight rate representing credit operations carried out between banks in Brazil. The average interest rate in the reporting periods 2010 and 2009 is 10.99% and 10.45%, respectively.

The primary financing for fiscal 2010 and 2009 was provided to SEAS by Siemens AG and interest rate risk management was performed at the level of Siemens AG. Therefore, SEAS has not entered into any interest rate derivatives.

Liquidity risk

Liquidity risk results from SEAS' potential inability to meet its financial liabilities, e.g. settlement of its financial debt and paying its suppliers.

In the reporting periods SEAS was funded by Siemens AG. In future SEAS will monitor funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility.

SEAS has implemented liquidity forecasts and performs net working capital management.

SEAS' financial liabilities outstanding as of September 30, 2010, including derivative financial instruments with a negative market value, will cause cash outflows within fiscal year 2011.

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time or if the value of property that serves as collateral declines. The current global financing crisis may cause customer default rates to increase. The effective monitoring and controlling of credit risk is part of the risk management system of SEAS. Credit evaluations and ratings are performed on customers with an exposure or requiring credit on an individual basis.

Customer ratings and individual customer limits are based on generally accepted rating methodologies, the input from external rating agencies and SEAS default experiences. Ratings and credit limits are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers by SEAS.

(in thousands of euro, except where otherwise stated)

SEAS' maximum exposure to credit risk is represented by the carrying amount of the financial assets. SEAS holds no collateral or other credit enhancements against financial assets.

The debtor's ageing analysis is evaluated on a regular basis for potential doubtful debts. It is management's opinion that no further allowance for doubtful debts is required.

There were no significant concentrations of credit risk as of September 30, 2010 and September 30, 2009. Concerning trade and other receivables that are neither impaired nor past due, there were no indications as of September 30, 2010 and September 30, 2009, that defaults in payment obligations will occur. For further information regarding the concept for the determination of allowances on receivables see Note 3.

Trade receivables aging

At September 30, 2010 and 2009, an aged analysis of the trade receivables, based on the payment date due, is as follows:

	September 30,	
	2010	**2009**
not overdue	45,296	11,070
up to 30 days overdue	14,824	9,535
between 31 – 60 days overdue	1,903	2,500
between 61 – 90 days overdue	870	235
more than 90 days overdue	2,327	2,177
	65,220	**25,517**

Trade payables aging

The trade payables as of September 30, 2010 of 29,117 are categorized based on the payment date due into the categories "due within 30 days" (23,999), "due within 60 days" (3,086) and "due in over 60 days (2,032).

The trade payables are non-interest-bearing and are normally settled on 30-day-terms.

27. SHARE-BASED PAYMENTS

The employees and management of SEAS directly participate in the share-based payment plans of Siemens AG. Total expense for share-based payment plans recognized in net income for the year ended September 30, 2010 and 2009 amounted to 436 and 801, respectively. The total carrying amount of liabilities arising from share-based payment transactions as of September 30, 2010 and 2009 is 911 and 724, respectively.

Stock Option Plans

At the Annual Shareholders' Meeting on February 22, 2001, shareholders authorized Siemens AG to establish the 2001 Siemens Stock Option Plan, making available up to 55 million options. The option grants are subject to a two-year vesting period, after which they may be exercised for a period of up to three years. The exercise price is equal to 120% of the reference price, which corresponds to the average opening market price of Siemens AG during the five trading days preceding the date of the stock option grant. However, an option may only be exercised if the trading price of the Siemens AG shares reaches a performance target which is equal to the exercise price at least once during the life of the option. The terms of the plan allow the Siemens AG, at its discretion upon exercise of the option, to offer optionees settlement of the options in either newly issued shares of common stock of Siemens AG from the Conditional Capital reserved for this purpose, treasury stock or cash. The alternatives offered to optionees are determined by the Siemens Management Board in each case as approved by the Siemens Supervisory Board. Compensation in cash shall be equal to the difference between the exercise price and the opening market price of the Siemens' stock on the day of exercising the stock options.

(in thousands of euro, except where otherwise stated)

Details on option exercise activity and weighted average exercise prices with respect to SEAS employees and management personnel for the year ended September 30, 2010 and 2009 are as follows:

	Year ended September 30, 2010			
	Options	Weighted average exercise price	Weighted average Remaining Contractual Term (years)	Aggregate Intrinsic value in thousands of EUR
Outstanding, beginning of period	7,425	73.30		
Granted	–	–		
Options exercised	–	–		
Options forfeited/expired	(4,660)	72.54		
Outstanding, end of period	2,765	74.59	0.1	8
Exercisable, end of period	2,765	74.59	0.1	8

	Year ended September 30, 2009			
	Options	Weighted average exercise price	Weighted average Remaining Contractual Term (years)	Aggregate Intrinsic value in thousands of EUR
Outstanding, beginning of period	18,325	73.27		
Granted	–	–		
Options exercised	–	–		
Options forfeited/expired	(10,900)	73.25		
Outstanding, end of period	7,425	73.30	0.6	–
Exercisable, end of period	7,425	73.30	0.6	–

The authority to distribute options under 2001 Siemens Stock Option Plan expired on December 13, 2006. Accordingly, no further options were granted under this plan since the year 2006. The Siemens Stock Option Plan was replaced by the Siemens Stock Awards plan in the year 2005.

The fair value of the stock option grants determined by Siemens AG is based on an option pricing model which was developed for use in estimating the fair values of options that have no vesting restrictions. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

Stock awards

In 2005 Siemens AG introduced stock awards as another means for providing share-based compensation to members of the Managing Board and other eligible employees of Siemens AG and Siemens companies including SEAS. Stock awards are subject to a four year vesting period for awards granted up to fiscal 2007 and a three year vesting period for awards granted thereafter. Upon expiration of the vesting period, the recipient receives Siemens shares without payment of consideration. Stock awards are forfeited if the grantee's employment within Siemens AG and its subsidiaries, including SEAS, terminates prior to the expiration of the vesting period. During the vesting period, grantees are not entitled to dividends. Stock awards may not be transferred, sold, pledged or otherwise encumbered. Stock awards may be settled in newly issued shares of common stock of Siemens AG, treasury stock or in cash. The settlement method will be determined by the Siemens Managing Board and the Siemens Supervisory Board.

Each fiscal year, Siemens AG decides whether or not to grant Siemens AG stock awards. Siemens AG stock awards may be granted only once a year within thirty days following the date of publication of the business results for the previous fiscal year. The Supervisory Board decides annually after the end of each fiscal year how many stock awards to grant to the Managing Board and the Managing Board decides annually how many stock awards to grant to members of the top management of domestic and foreign subsidiaries and other eligible employees.

(in thousands of euro, except where otherwise stated)

In fiscal years 2010 and 2009, eligible SEAS employees were granted 3,067 and 4,975 stock awards, respectively. Details on stock award activity and weighted average grant-date fair value are summarized in the table below:

	Year ended September 30, 2010		Year ended September 30, 2009	
	Awards	Weighted average Grant-Date Fair Value, euro per stock award	Awards	Weighted average Grant-Date Fair Value, euro per stock award
Non-vested, beginning of period	11,158	56.95	8,946	67.11
Granted	3,067	60.79	4,975	37.65
Vested	(1,849)	57.28	(2,763)	55.63
Forfeited	–	–	–	–
Non-vested, end of period	**12,376**	**57.85**	**11,158**	**56.95**

Fair value was determined as the market price of the Siemens AG shares less the present value of dividends expected during the 4 and 3 year vesting period, respectively, as stock awards do not carry dividend rights during the vesting period, which resulted in a fair value of EUR 60.79 and EUR 37.65, respectively, per stock award granted in fiscal 2010 and 2009. The total fair value of stock awards granted in fiscal 2010 and 2009 amounted to 186 and 187, respectively.

Share Matching Program and its underlying plans

a) Base Share Program

Under the Base Share Program, employees of SEAS could purchase Siemens shares under favorable conditions once a year. The Base Share Program is measured at fair value at grant-date. Shares purchased under the Base Share Program grant the right to receive matching shares under the same conditions described below at *Share Matching Plan*.

In fiscal 2010, the Base Share Program allowed employees of SEAS to make an investment of a fixed amount of their compensation into Siemens shares, which is sponsored by Siemens with a tax beneficial allowance per plan participant. Shares were bought at market price at a predetermined date in the second quarter. In fiscal 2010, SEAS incurred pre-tax expense of 150. In fiscal 2009, employees of SEAS could purchase a limited number of Siemens shares at a preferential price once a year. Up to a stipulated date in the first quarter of the fiscal year, employees were allowed to order the shares, which were issued in the second quarter of the fiscal year. In fiscal 2009, SEAS incurred pre-tax expense of 7, based on a preferential share price of EUR 22 per share and a grant-date fair value of the equity instrument of EUR 25.56 per share.

Fair value is determined as the market price of Siemens shares less the present value of expected dividends as investment shares of the Base Share Program do not carry dividend rights until they are issued in the second quarter, less the share price paid by the participating employee.

b) Share Matching Plan

In the first quarter of fiscal 2010, Siemens issued a new Share Matching Plan (Share Matching Plan 2010). In contrast to the Share Matching Plan 2009 (described below), the Share Matching Plan 2010 is restricted to senior managers only. Senior managers of Siemens AG and participating Siemens companies (including SEAS) may invest a certain amount of their compensation in Siemens shares. While for the Share Matching Plan 2009, the price of the investment shares was fixed at the resolution date, for the Share Matching Plan 2010 the shares are purchased at the market price at a predetermined date in the second quarter. Up to the stipulated grant-dates in the first quarter of each fiscal year, senior managers have to decide on their investment amount for which investment shares are purchased. The investment shares are then issued in the second quarter of the fiscal year. In exchange, plan participants receive the right to one free share (matching share) for every three investment shares continuously held over a period

(in thousands of euro, except where otherwise stated)

of three years (vesting period) provided the plan participant has been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. During the vesting period, matching shares are not entitled to dividends. The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered. The Managing Board and the Supervisory Board of Siemens AG will decide, each fiscal year, whether a new Share Matching Plan will be issued. The fair value at grant date of investment shares resulting from the Share Matching Plan 2010 is nil as the investment shares are offered at market price.

In the first quarter of fiscal 2009, Siemens AG introduced the Share Matching Plan to the employees of Siemens AG and Siemens Companies including SEAS. Plan participants may invest a certain percentage of their compensation in Siemens shares at a predetermined price set at the resolution date (investment shares). In exchange, plan participants receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant has been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. Up to the stipulated grant-dates in the first quarter of each fiscal year, employees may order the investment shares, which are issued in the second quarter of the fiscal year. During the vesting period, matching shares are not entitled to dividends. The right to receive matching shares forfeits if the underlying investment shares are transferred, sold, pledged or otherwise encumbered. The Managing Board and the Supervisory Board of Siemens AG will decide, each fiscal year, whether a new Share Matching Plan will be issued. Investment Shares resulting from the Share Matching Plan 2009 are measured at fair value at grant-date, which is determined as the market price of Siemens shares less the present value of expected dividends as investment shares do not carry dividend rights until they are issued in the second quarter, less the share price paid by the participating employee. The fair value amounts to EUR 5.56 per instrument on the grant-date of December 17, 2008.

c) *Monthly Investment Plan*

In the first quarter of fiscal 2010, Siemens introduced the Monthly Investment Plan as a further component of the Share Matching Plan. The Monthly Investment Plan is available for employees – other than senior managers – of Siemens AG and participating Siemens companies (including SEAS). Plan participants may invest a certain percentage of their compensation in Siemens shares on a monthly basis. The Managing Board of Siemens AG will decide annually, whether shares acquired under the Monthly Investment Plan (investment shares) may be transferred to the Share Matching Plan the following year. If management decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to one free share (matching share) for every three investment shares continuously held over a period of three years (vesting period) provided the plan participant had been continuously employed by Siemens AG or another Siemens company until the end of the vesting period. Up to the stipulated grant-dates in the first quarter of each fiscal year, employees may decide their participation in the Monthly Investment Plan and consequently the Share Matching Plan. The Managing Board will decide, each fiscal year, whether a new Monthly Investment Plan will be issued.

d) *Resulting Matching Shares*

Details on resulting matching shares summarized in the table below:

	Year ended September 30, 2010 Matching shares	2009 Matching shares
Outstanding, beginning of period	7,130	–
Granted	1,812	7,728
Forfeited	(635)	(598)
Outstanding, end of period	8,307	7,130

The fair value was determined as the market price of Siemens shares less the present value of expected dividends during the vesting period as matching shares do not carry dividend rights during the vesting period. Non-vesting conditions, i.e. the condition neither to transfer, sell, pledge nor otherwise encumber the underlying shares, were considered in determining the fair values. The fair value of matching shares granted on December 17, 2009, amounts to EUR 47.18 per share. The fair value of matching share granted on December 17, 2008 amounted to EUR 21.34 per share. Total fair value of matching shares granted in fiscal 2010 and 2009 amounts to 85 and 165, respectively.

Treatment of equity based instruments in accordance with the MSPA

According to the Master Sale and Purchase Agreement, it is intended that claims under the equity based instruments, such as *Stock Option Plans, Stock awards* and *Share Matching Program and its underlying plans* shall be redeemed with effect as of the completion of the transaction.

(in thousands of euro, except where otherwise stated)

Jubilee Share Program

In fiscal 2009, Siemens changed its jubilee benefit program, which applies to certain Siemens companies, from cash to share-based compensation. Under the jubilee share program, eligible employees are granted jubilee shares after having been continuously employed with SEAS for 25 and 40 years (vesting period), respectively. Settlement of jubilee awards is in shares of Siemens AG only. Jubilee shares are measured at fair value considering biometrical factors. The fair value is determined as the market price of Siemens shares at grant date less the present value of dividends expected during the vesting period for which the employees are not entitled to. The total carrying amount of liability as of September 30, 2010 and 2009 arising from share-based jubilee program is 529 and 557, respectively.

28. PERSONNEL COSTS

	Year ended September 30, 2010	2009
Wages and salaries	86,371	96,879
Statutory social welfare contributions	11,350	14,306
Expenses relating to pension plans and employee benefits	2,375	2,145
	100,096	**113,330**

Wages and salaries for fiscal 2010 and 2009 include severance payments and other employee termination benefits of 12,290 and 15,295, respectively.

Expenses relating to pension plans and employee benefits include mainly service costs for the period. Expected return on plan assets and interest cost are included in *Interest income* and *interest expense*, respectively.

The average number of employees in fiscal year 2010 and 2009 was 1,225 and 1,523, respectively. Part-time employees are included on a proportionate basis.

29. RELATED PARTY TRANSACTIONS

These Combined Financial Statements include transactions with Siemens AG and its subsidiaries which are outside of the SEAS combination group (collectively referred to as "Siemens group"). Siemens group is a related party as it controls SEAS. Besides transactions among the SEAS group (see Appendix 1 for the composition of the SEAS group), SEAS enters into transactions with Siemens group for the purchase of inventory and services, sale of goods, as well as corporate and other infrastructure services provided by the Siemens group.

In fiscal years 2010 and 2009, SEAS did not have significant transactions with the related parties other than Siemens group.

Receivables from and payables to Siemens group

	September 30, 2010	2009
Receivables from Siemens group	15,322	58,218
thereof		
from financing activities	*15,322*	*58,218*
from operating activities	*–*	*–*
Payables to Siemens group	74,604	50,733
thereof		
from financing activities	*74,295*	*50,478*
from operating activities	*309*	*255*

In 2009 financial activities were presented by transactions with Siemens Financial Services GmbH ("SFS") and were attributable to SEAS´ participation in the Siemens internal cash pooling arrangements in fiscal 2009. Starting October 1, 2009, SEAS was no longer included in the centralized cash pooling of Siemens AG with SFS however during the fiscal year 2010, SEAS still used SFS to settle its transactions within the SEAS group or with other Siemens entities.

(in thousands of euro, except where otherwise stated)

The main part of *Payables to Siemens group* as of September 30, 2010 relates to SEAS China's payables to Siemens group amounting to 59,181. The settlement of these payables is subject to strict cash transfer restrictions on accompanying documentation imposed by Chinese government.

Interest income and expense on balances from financing activities are included in *Interest income* and *Interest expense*, respectively.

All related party receivables and payables are regularly settled and thus presented as components of accounts receivables and accounts payables, respectively, in the Combined Statement of Financial Position.

Income and expense from Siemens group

The income from Siemens group results primarily from sale of products and rendering of services. For fiscal 2009 the income from Siemens group resulted additionally from interest-bearing transactions with SFS. In fiscal 2010, as SEAS was no longer included in the centralized cash pooling of Siemens AG (see Note 1), interest income and expense from Siemens group decreased significantly during fiscal 2010.

	Year ended September 30,	
	2010	**2009**
Revenue	19,002	14,852
Interest income	8	944

In fiscal years 2010 and 2009, SEAS entities conducted transactions with Siemens group to purchase inventory and services primarily relating to rental of premises, IT support, facility management, logistics and administrative services.

	Year ended September 30,	
	2010	**2009**
Rental of premises	7,970	20,020
Purchases of inventory and other services	7,827	6,620
Interest expense	–	343

The accrual for costs relating to dismantling and removing tenant fixtures in rented buildings in Germany amounting to 2,493 and 3,379 as of September 30, 2010 and 2009, respectively, is an obligation to Siemens Real Estate (see Note 19 and Note 22). The accrual will be settled in the first quarter of fiscal 2011.

In fiscal 2009, Siemens AG charged the expenses incurred for the Division's management and central functions to the respective business units. SEAS' allocated share for the reporting period amounted to 1,380 and was included in *Purchases of inventory and other services*. No such charges incurred in fiscal 2010.

Key management remuneration

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the SEAS business within their function. Accordingly, SEAS' key management personnel consist of the Chief Executive Officers and the Chief Financial Officers of the SEAS cluster Americas, China, Southeast Asia, Northwest Europe, Southwest Europe, Central and Eastern Europe, the Heads of the SEAS Central Functions in Germany as well as the Chief Operating Officer for Southeast Asia.

SEAS' key management personnel for fiscal years 2010 and 2009 consist of 26 and 28 individuals, respectively. The key management remuneration which was charged to the Combined Statement of Income was as follows:

	Year ended September 30,	
	2010	**2009**
Short-term employee benefits	4,308	3,933
Post-employment benefit	235	495
Share based payment	135	226
	4,678	**4,654**

(in thousands of euro, except where otherwise stated)

Dividends distributed by SEAS entities to its shareholders

During the year ended September 30, 2010, the SEAS entity in Austria distributed dividends totaling 6,895 to their shareholders.

During the year ended September 30, 2009, the SEAS entity in China distributed dividends totaling 9,503 to their shareholders.

30. SUBSEQUENT EVENTS

In November 2010, Siemens AG announced a special one-time remuneration for its non-management employees, amounting to Million euro 310. Siemens AG is still in the process of determining the amount that is thereof attributable to SEAS employees. The Combined Financial Statements as of September 30, 2010 do neither include any expenses nor any personal related accruals in connection to this one-time special remuneration.

In November 2010, the board of Siemens Electronics Assembly Systems Ltd., Shanghai resolved on dividend distributions for fiscal 2008 and fiscal 2009 to its shareholder Siemens Ltd., China, amounting to Million Chinese Renmimbi 77.2, which is equivalent to Million euro 8.5. The payment was made on November 22, 2010.

(in thousands of euro, except where otherwise stated)

APPENDIX 1

A. SEAS group as of September 30, 2010[8]

Ref.	ARE	Country	Company
1	568m	Austria	Siemens Electronics Assembly Systems GmbH & Co KG, Vienna
2	595m	Austria	Siemens Electronics Assembly Systems GmbH, Vienna
3	588m	Brazil	Siemens Sistemas Para Montagem De Componentes Electronicos Ltda., Sao Paulo
4	4046	China	Siemens Electronics Assembly Systems Ltd., Shanghai
5	5547[9]	China	Siemens Ltd., China, Beijing
6	510f	France	Siemens Electronics Assembly Systems SAS, Bussy-Saint-Georges
7	495k	Germany	Siemens Electronics Assembly Systems Management GmbH, Munich
8	497k	Germany	Siemens Electronics Assembly Systems GmbH & Co. KG, Munich
9	583m	Italy	Siemens Electronics Assembly Systems S.r.l., Milan
10	579m	Mexico	Siemens Electronics Assembly Systems, S. De R.L. De C.V., Guadalajara
11	580m	Singapore	Siemens Electronics Assembly Systems Pte. Ltd., Singapore
12	582m	Sweden	Siemens Electronics Assembly Systems AB, Stockholm
13	416n	UK	Siemens Electronics Assembly Systems Ltd, Frimley
14	577m	USA	Siemens Electronics Assembly Systems, LLC, Wilmington, DE

[8] These entities are wholly owned by Siemens Regional Companies.

[9] Siemens Ltd., China, Beijing does not conduct SEAS business. It is included in the scope of the Combined Financial Statements due to its function to administer the personnel expenses of SEAS' expatriates in China. Personnel related accruals amounting to 108 and 135 are included in the Combined Statement of Financial Position for ARE 5547 as of September 30, 2010 and 2009, respectively.

(in thousands of euro, except where otherwise stated)

B. SEAS group as of September 30, 2009[10]

Ref.	ARE	Country	Company
1	568m	Austria	Siemens Electronics Assembly Systems GmbH & Co KG, Vienna
2	595m	Austria	Siemens Electronics Assembly Systems GmbH, Vienna
3	588m	Brazil	Siemens Sistemas Para Montagem De Componentes Electronicos Ltda., Sao Paulo
4	4046	China	Siemens Electronics Assembly Systems Ltd., Shanghai
5	5547	China	Siemens Ltd., China, Beijing
6	510f	France	Siemens Electronics Assembly Systems SAS, Bussy-Saint-Georges
7	495k	Germany	Siemens Electronics Assembly Systems Management GmbH, Munich
8	496k	Germany	Siemens Electronics Assembly Systems Beteiligungen Verwaltungs GmbH, Munich
9	497k	Germany	Siemens Electronics Assembly Systems GmbH & Co. KG, Munich
10	498k	Germany	Siemens Electronics Assembly Systems Beteiligungen GmbH & Co. KG, Munich
11	583m	Italy	Siemens Electronics Assembly Sytems S.r.l., Milan
12	579m	Mexico	Siemens Electronics Assembly Systems, S. De R.L. De C.V., Guadalajara
13	580m	Singapore	Siemens Electronics Assembly Systems Pte. Ltd., Singapore
14	582m	Sweden	Siemens Electronics Assembly Systems AB, Stockholm
15	416n	UK	Siemens Electronics Assembly Systems Ltd, Frimley
16	577m	USA	Siemens Electronics Assembly Systems, LLC, Wilmington, DE

C. Overview legal entity structure before and after carve out activities

Ref.	ARE old	Company name	Country	Carve out date	Company new	ARE new
1	4046	Siemens Electronics Assembly Systems Ltd., Shanghai	China	n/a	Siemens Electronics Assembly Systems Ltd., Shanghai	4046
2	5547	Siemens Ltd., China, Beijing	China	n/a	Siemens Ltd., China, Beijing	5547

[10] These entities are wholly owned by Siemens Regional Companies.

(in thousands of euro, except where otherwise stated)

Ref.	ARE old	Company name	Country	Carve out date	Company new	ARE new
3	5160	Siemens plc, Frimley, Surrey	UK	12/31/2008	Siemens Electronics Assembly Systems Ltd, Frimley	416n
4	7411	Siemens AG – A&D CA	Germany	12/31/2008	Siemens Electronics Assembly Systems GmbH & Co. KG, Munich	497k
5	7412	Siemens AG – RD A&D Nuremberg	Germany	12/31/2008		
6	5985	Siemens Sp. z o.o., Warsaw	Poland	12/31/2008		
7	5280	Siemens Schweiz AG, Zurich	Switzerland	12/31/2008		
8	5140	Siemens S.A.S., Saint-Denis	France	09/30/2008	Siemens Electronics Assembly Systems SAS, Bussy-Saint-Georges	510f
9	5240	Siemens S.A., Amadora	Portugal	03/31/2009		
10	5290	Siemens S.A., Madrid	Spain	06/30/2009		
11	5220	Siemens Aktiengesellschaft Österreich, Vienna	Austria	09/30/2008	Siemens Electronics Assembly Systems GmbH & Co KG, Vienna	568m
12	5975	Siemens s.r.o., Prague	Czech Republic	09/30/2008		
13	5304	Siemens Zrt., Budapest	Hungary	12/31/2008		
14	5545	Siemens Canada Ltd., Mississauga, Ontario	Canada	09/30/2008	Siemens Electronics Assembly Systems, LLC, Wilmington, DE	577m
15	5620	Siemens Energy & Automation, Inc., Wilmington, DE	USA	09/30/2008		
16	4482	Siemens Servicios S.A. de C.V., Mexico D.F.	Mexico	09/30/2008	Siemens Electronics Assembly Systems, S.De R.L. De C.V., Guadalajara	579m
17	5567	Siemens, S.A. de C.V., Mexico D.F.	Mexico	09/30/2008		

(in thousands of euro, except where otherwise stated)

Ref.	ARE old	Company name	Country	Carve out date	Company new	ARE new
18 19 20 21 22 23 24	5655 5670 5688 5730 5682 5683 5539	Siemens Ltd., Mumbai Siemens K.K., Tokio Siemens Malaysia Sdn. Bhd., Petaling Jaya Siemens Pte. Ltd., Singapore Siemens Ltd., Seoul Siemens Ltd., Taipeh Siemens Ltd., Bangkok	India Japan Malaysia Singapore South Korea Taiwan Thailand	10/30/2008 09/30/2008 09/30/2008 09/30/2008 09/30/2008 09/30/2008 09/30/2008	Siemens Electronics Assembly Systems Pte. Ltd., Singapore	580m
25 26 27 28	5120 5130 5170 5251	Siemens A/S, Ballerup Siemens Osakeyhtiö, Espoo Siemens Ltd., Dublin Siemens AB, Upplands Väsby	Denmark Finland Ireland Sweden	09/30/2008 09/30/2008 09/30/2008 09/30/2008	Siemens Electronics Assembly Systems AB, Stockholm	582m
29	5180	Siemens S.p.A., Milan	Italy	09/30/2008	Siemens Electronics Assembly Sytems S.r.l., Milan	583m
30 31	5510 5593	Siemens Ltda., São Paulo Siemens Eletroeletronica Limitada, Manaus	Brazil Brazil	12/31/2008 12/31/2008	Siemens Sistemas Para Montagem De Componentes Electronicos Ltda., Sao Paulo	588m
32	n/a	n/a	n/a	n/a	Siemens Electronics Assembly Systems Management GmbH, Munich	495k
33	n/a	n/a	n/a	n/a	Siemens Electronics Assembly Systems Beteiligungen Verwaltungs GmbH, Munich	496k
34	n/a	n/a	n/a	n/a	Siemens Electronics Assembly Systems Beteiligungen GmbH & Co. KG, Munich	498k
35	n/a	n/a	n/a	n/a	Siemens Electronics Assembly Systems GmbH, Vienna	595m

III. SUBSEQUENT COMBINED FINANCIAL STATEMENTS

(in thousands of euro, except where otherwise stated)

No audited combined financial statements have been prepared for SEAS in respect of any period subsequent to September 30, 2010.

Munich, December 21, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky	Franke
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

B. UNAUDITED FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2008

The following financial information is extracted from the Seller's BU Reporting information in respect of the SEAS Business for the financial year ended 30 September 2008.

(I) Balance sheet (based on net capital employed reporting) as of 30 September 2008 (unaudited)

ASSETS	*EUR (000')* (unaudited)
Current assets	
Cash and cash equivalents	**3,299**
Available-for-sale financial assets	**0**
Trade and other receivables	**55,059**
Trade accounts receivable from sale of goods and services	54,946
Receivables from associated and related companies	113
Other current financial assets	**2,255**
Other receivables from associated companies	0
Miscellaneous (financial assets)	2,255
Intragroup receivables	**99,713**
Inventories	**116,905**
Raw materials and supplies	34,169
Work in progress	46,990
Cost of unbilled contracts and cost in excess	7,371
Finished goods and merchandise	34,476
Advances for inventories	31
Advance payments received	(6,132)
Other current assets	**4,604**
Other tax receivables	4,355
Miscellaneous (non financial assets)	(77)
Prepaid expenses	326
TOTAL CURRENT ASSETS	**281,835**

ASSETS	*EUR (000')* (unaudited)
Goodwill	**13,318**
Other intangible assets	**786**
Software	62
Patents, licenses and similar rights	724
Property, plant and equipment	**20,380**
Land and building	1,518
Technical machinery and equipment	3,619
Furniture and office equipment	15,108
Advances to suppliers and construction in progress	135
Investments accounted for using the equity method	**0**
Other financial assets	**236**
Loans receivables	0
Other miscellaneous receivables (financial assets)	236
Other intragroup receivables	**4**
Other assets	**410**
Prepaid assets	125
Other miscellaneous receivables (non financial assets)	285
TOTAL ASSETS	**316,969**

LIABILITIES AND EQUITY	*EUR (000')* (unaudited)
Current liabilities	
Trade payables	**30,398**
Payables	30,395
Payables to associated and related companies	3
Other current financial liabilities	**2,309**
Liabilities to affilliated, associated and related companies	5
Other liabilities (financial liabilities)	2,304
Intragroup liabilities	**171,360**
Current provisions	**40,350**
Warranties	36,560
Order related losses and risks	1,333
Asset retirement obligations	598
Others	1,859

LIABILITIES AND EQUITY	*EUR (000')* (unaudited)
Other current liabilities	**50,216**
Accruals for other taxes	7
Employee related accruals	13,122
Other accrued liabilities	6,961
Sales and other taxes	5,445
Deferred income	1,393
Payroll and social security taxes	12,142
Bonus obligation	9,135
Other liabilities (non financial liabilities)	2,011
TOTAL CURRENT LIABILITIES	**294,633**
Pension plans and similar commitments	**0**
Provisions	**7,743**
Warranties	7,563
Others	180
Other liabilities	**14,593**
Other long-term accruals	14,576
Deferred income, non current	8
Other long-term liabilities	9
Other intragroup liabilities	**0**
TOTAL NON CURRENT LIABILITIES	**22,336**
TOTAL LIABILITIES	**316,969**

(II) Group profit for the twelve months ended 30 September 2008 (unaudited)

	EUR (000') (unaudited)
Revenue	**431,638**
Cost of goods and services sold	**(396,439)**
Gross profit	**35,199**
R&D expenses	(65,897)
Marketing and selling expenses	(42,107)
General administration expenses	(4,314)
Other operating income	419
Other operating expenses	(273)
Interest income from operating business, net	116
Income (expense) from pension plans and similar commitments, net	0
Other financial income (expense), net	(32)
Income from available-for-sale financial assets	0
Financial Income of operating business, net	84
Group Profit	**(76,889)**

Net Cash as of 30 September 2008 (unaudited)

	EUR (000') (unaudited)
Group Profit	**(76,889)**
Amortization of intangible assets	196
Depreciation of property, plant and equipment	8,857
Total amortization/depreciation of pp&e and intangible assets	9,053
Gains/losses on sales and disposals of businesses and pp&e	99
Other non-cash income/expenses	(1,706)
Change in other components of equity (hedge accounting)	(891)
Inventories	16,945
Advanced payments received	(5,759)
Trade and other receivables, net	7,153
Other current assets	2,225
Non-current assets	239
Change in receivables and other assets	9,617
Trade payables	(7,313)
Current provisions	1,630
Other current liabilities	4,476
Non-current provisions and liabilities	10,803
Change in provisions and liabilities	9,596
NET CASH PROVIDED BY/USED IN OPERATING ACTIVITIES	**(39,935)**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma net assets statement of the Group and the Target Companies has been prepared to demonstrate the effect of the Acquisition on the net assets of the Group.

The unaudited pro forma net assets statement of the Enlarged Group (the "Unaudited Pro Forma Financial Information") has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the Acquisition as if the Acquisition had taken place on 30 June 2010.

The preparation of the Unaudited Pro Forma Financial Information is based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2010 which has been extracted from the published interim report of the Company for the six months ended 30 June 2010 as set out in Section 3 of Appendix I to this circular; and (ii) the audited combined statement of financial position of the Target Companies as at 30 September 2010 as extracted from the accountants' report on the Target Companies for the two years ended 30 September 2010 issued by Ernst & Young, Germany (the "Accountants' Report") as set out in Section A of Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as if the Acquisition had been completed on 30 June 2010.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. The accompanying Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2010. The Unaudited Pro Forma Financial Information does not purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2009, the published interim report of the Company for the six months ended 30 June 2010, the Accountants' Report, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE ENLARGED GROUP

	The Group as at 30 June 2010 (Unaudited)	The Target Companies as at 30 September 2010 (Audited)	Pro forma adjustments					Unaudited pro forma total for the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)	*(Note c)*	*(Note d)*	*(Note e)*	*(Note f)*	*(Note g)*	
Non-current assets								
Property, plant and equipment	1,032,509	146,231	–	–	–	–	–	1,178,740
Prepaid lease payments	28,318	–	–	–	–	–	–	28,318
Deposits paid for acquisition of property, plant and equipment	83,874	–	–	–	–	–	–	83,874
Intangible assets	–	5,254	–	–	–	–	–	5,254
Other financial assets	–	519	–	–	–	–	–	519
Other assets	–	11,150	–	–	–	–	–	11,150
Deferred tax assets	20,107	14,627	–	–	–	–	–	34,734
	1,164,808	177,781	–	–	–	–	–	1,342,589
Current assets								
Inventories	1,168,314	884,511	–	–	–	(5,794)	129,855	2,176,886
Trade and other receivables	2,153,133	742,867	(4,756)	–	–	5,794	–	2,897,038
Receivable from the Seller Group (excluding the Target Companies)	–	162,288	122,748	–	–	–	–	285,036
Prepaid lease payments	938	–	–	–	–	–	–	938
Tax recoverable	–	7,721	–	–	–	–	–	7,721
Bank balances and cash	1,420,892	1,209,817	2,383	(37,408)	(790,202)	–	–	1,805,482
	4,743,277	3,007,204	120,375	(37,408)	(790,202)	–	129,855	7,173,101
Current liabilities								
Trade and other payables	1,606,353	818,533	(1,811)	(17,876)	(11)	–	129,855	2,535,043
Payable to the Seller Group (excluding the Target Companies)	–	790,191	–	–	(790,191)	–	–	–
Current provisions	–	259,774	–	–	–	–	–	259,774
Tax payable	308,622	73,475	–	–	–	–	–	382,097
Short-term bank loan	–	9,151	–	–	–	–	–	9,151
	1,914,975	1,951,124	(1,811)	(17,876)	(790,202)	–	129,855	3,186,065
Net current assets	2,828,302	1,056,080	122,186	(19,532)	–	–	–	3,987,036
Total assets less current liabilities	3,993,110	1,233,861	122,186	(19,532)	–	–	–	5,329,625
Non-current liabilities								
Pension plan and similar commitments	–	265,028	–	–	–	–	–	265,028
Provisions	–	148,709	–	–	–	–	–	148,709
Other liabilities and accruals	–	19,341	–	–	–	–	–	19,341
Deferred tax liabilities	557	7,139	–	–	–	–	–	7,696
	557	440,217	–	–	–	–	–	440,774
Net assets	3,992,553	793,644	122,186	(19,532)	–	–	–	4,888,851

Notes:

(a) The audited combined statement of financial position of the Target Companies is presented in Euro in the Accountants' Report and has been translated into Hong Kong dollars at the conversion exchange rate of EUR1 to HK$10.5918 as of 30 September 2010 based on data published by the European Central Bank. The item "trade and other receivables" of the Target Companies includes "trade receivables", "other current financial assets" and "other current assets" set out in the Accountants' Report amounting to HK$655,802,000, HK$12,128,000 and HK$74,937,000, respectively. The item "trade and other payables" of the Target Companies includes "trade payables", "other current financial liabilities" and "other current liabilities and accruals" set out in the Accountants' Report amounting to HK$308,401,000, HK$11,301,000 and HK$498,831,000, respectively.

(b) The Seller undertakes to make a non-recourse and non-refundable cash payment to SEAS KG in the amount of EUR29,000,000 (approximately HK$307,162,000), reduced by the amount by which the Consideration attributable to SEAS KG exceeds the Base Price. Since the amount of Consideration attributable to SEAS KG exceeding the Base Price goes beyond EUR29,000,000, no cash payment to SEAS KG results.

(c) (1) As set out in the Acquisition Agreement, the Seller undertakes to pay to the Group or the Target Companies such amount as is necessary to indemnify the Target Companies from and against any and all taxes imposed to the Target Companies relating to any taxable period ending on or before Completion, including (i) any taxes within the meaning of Section 3 German Tax Code as well as social security contribution and similar duties with respect to Germany; and (ii) any federal, state, local income, gross receipts, licence, payroll, employment, excise, severance, stamp, environmental, custom duties, capital stock, franchise, profits, withholding, social security, real property, personal property, sales, use, transfer, registration, value added, alternative, or add-on minimum, or other tax of any kind whatsoever and such other charges, fees, duties, or assessments that are imposed by a government authority, including without limitations, contributions to social security agencies with respect of other jurisdictions. An amount of HK$122,748,000 is adjusted on the "receivable from the Seller Group (excluding the Target Companies)" for the sales tax and other tax liabilities included in "trade and other payables" and tax payable amounting to HK$49,273,000 and HK$73,475,000, respectively, as of 30 September 2010.

(2) As set out in the Acquisition Agreement, the Seller procured that all foreign forward contracts existing between the Target Companies and the Seller Group (excluding the Target Companies) shall be terminated prior to Completion on an arm's length basis. An amount of HK$4,756,000 and HK$1,811,000 included in "trade and other receivables" and "trade and other payables", respectively, with respect of the fair value of the derivative financial instruments as at 30 September 2010 is adjusted to "bank balances and cash" assuming that the contracts are settled by cash immediately upon Completion.

(3) The purchase price payable by the Group as Consideration for the Acquisition is HK$307,724,000 which is calculated as follows:

	HK$'000
Base price of EUR 1.00	–
– plus the Cash as defined in the Acquisition Agreement	1,372,105
– minus the Financial Debts as defined in the Acquisition Agreement	(799,353)
– plus the amount by which the Net Working Capital as defined in the Acquisition Agreement exceeds the Net Working Capital as defined in the Acquisition Agreement determined using the balances of the line items existing as at 30 September 2010	–
– minus the amount by which the Net Working Capital as defined in the Acquisition Agreement fall short of the Net Working Capital as defined in the Acquisition Agreement determined using the balances of the line items existing as at 30 September 2010	–
– plus or minus, the Pension Adjustment Amount as determined in accordance with the terms set out in the Acquisition Agreement	(265,028)
Consideration	307,724

Pursuant to the Acquisition Agreement, if the calculation of the Consideration results in an amount exceeding the Base Price, the amount to be paid by the Group is reduced by the amount to the extent not deducted from the fund undertaken by the Seller in making a non-recourse and non-refundable cash payment to SEAS KG as set out in note (b) above (the "Adjusted Consideration"). Hence, the Consideration was reduced by EUR29,000,000 (approximately HK$307,162,000) and the Adjusted Consideration is HK$562,000.

The gain from bargain purchase arising on acquisition of the Target Companies amounts to approximately HK$915,830,000 which represents the difference between Adjusted Consideration of HK$562,000 and the net asset value of HK$916,392,000 as at 30 September 2010 as adjusted for items set out in note (c) (1) above assuming payment directly to the Target Companies by the Seller with an aggregate amount of HK$122,748,000.

For the purpose of determining gain from bargain purchase arising from the Acquisition in the unaudited pro forma financial information, the Group has assumed the fair value of the identifiable assets and liabilities of the Target Companies to be the carrying value as at 30 September 2010, assuming no additional intangible assets are to be identified and recognised.

Since the fair value of the identifiable assets and liabilities of the Target Companies at Completion may be substantially different from the values used in the preparation of this unaudited pro forma financial information of the Enlarged Group, the fair value of the identifiable assets and liabilities of the Target Companies, as well as goodwill or gain from bargain purchase to be recognised in connection with the Acquisition could be substantially different from the amounts stated herein.

The Group undertakes for a period of three years from the Completion that the Group will not directly or indirectly, (i) make, resolve on, initiate, enable or accept any withdrawals from SEAS 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 SEAS KG or any of its successors other than in the ordinary course for the regular operative business of SEAS 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 Acquisition Agreement. The Group shall not alter, rescind, rewind or in any other way contradict the letter of support up to an amount of EUR120,000,000 (approximately HK$1,271,016,000) which is valid as for a duration of 6 years following the Completion. The Group undertakes to procure that SEAS KG will not reduce or decrease the registered limited partnership interest of SEAS KG for a period of 3 years following the Completion. In addition, the Group undertakes certain employment protection clauses as included in the Acquisition Agreement, including the maintenance of existing site in Munich and Munich as the headquarter of the Target Companies, and compliance with Collective Labour Agreements. The Group also undertakes to pay the Seller liquidated damages in the amount up to EUR20,000,000 (approximately HK$211,836,000) if the Group does not comply with certain provisions set out in the Acquisition Agreement and is not able to cure such non-compliance within a reasonable period of time. The Group agrees to provide the Seller with a bank guarantee which shall secure the obligations of the Group as set out above in an amount of not less than EUR20,000,000 (approximately HK$211,836,000). No adjustment is made in respect of the above undertakings of the Group as the fair value of these items cannot be reliably determined at the Latest Practicable Date. As such, the fair value of the identifiable assets and liabilities of the Target Companies, as well as goodwill or gain from bargain purchase to be recognised in connection with the Acquisition could be substantially different from the amounts stated herein.

The Seller granted certain equity-based instruments under the various group-wide equity-based compensation schemes implemented by the Seller to selected members of management and selected employees of the Target Companies. Pursuant to the Acquisition Agreement, it is intended that claims under the equity-based instruments shall be redeemed with effect as of Completion. To this effect, Seller and the Company shall procure that the Target Companies redeem any claims under equity-based instruments in accordance with the relevant agreement entered into with the Seller and the respective plan rules after, but with effect as of, the Completion. No pro forma adjustment in respect of the redemption of the equity-based instruments is made as the corresponding liabilities have been recognised by the Target Companies and reflected in its audited combined statement of financial position as of 30 September 2010 as shown in the Accountants' Report. The liabilities at Completion could be substantially different from the values used in the preparation of this unaudited pro forma financial information of the Enlarged Group.

In addition, pursuant to the Acquisition Agreement, the Consideration is the Base Price plus and/or minus certain amounts as set out in the combined financial information of the Target Companies as at the Effective Date which is a future date, the amounts of the Consideration as well as goodwill or gain from bargain purchase to be recognised in connection with the Acquisition could be substantially different from the amounts stated herein.

(d) The adjustment is the estimated professional fees and expenses to be incurred by the Enlarged Group for the Acquisition, assuming that the professional fees and expenses are settled by cash immediately upon Completion. The professional fees and expenses accrued as at 30 June 2010 by the Group and included in "trade and other payables" and further expenses to be incurred subsequent to 30 June 2010 amounted to HK$17,876,000 and HK$19,532,000, respectively.

(e) Being the adjustment of intercompany balances due to the Seller Group (excluding the Target Companies), as it is expected that the payable to the Seller Group (excluding the Target Companies) is settled by cash immediately upon Completion.

Pursuant to the Acquisition Agreement, the intercompany balances due from the Seller Group (excluding the Target Companies) will be settled within 10 Business Days after Completion to the Target Companies and hence no pro forma adjustment is made.

(f) The adjustment represents reclassification of advances to suppliers which are included in "inventories" in the audited combined statement of financial position of the Target Companies as at 30 September 2010 to "trade and other receivables".

(g) The adjustment represents reclassification of advance payments received which are included in "inventories" in the audited combined statement of financial position of the Target Companies as at 30 September 2010 to "trade and other payables".

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA NET ASSETS STATEMENT

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular:

Deloitte.
德勤

TO THE DIRECTORS OF ASM PACIFIC TECHNOLOGY LIMITED

We report on the unaudited pro forma net assets statement of ASM Pacific Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire share capital in 13 direct and indirect subsidiaries of the Siemens Aktiengesellschaft (the "Seller") currently operating the electronics assembly business of the Seller under the name of "Siemens Electronics Assembly Systems" (together with the Group hereinafter referred to as the "Enlarged Group") (the "Proposed Acquisition") might have affected the financial information presented, for inclusion in Appendix III to the circular of the Company dated 21 December 2010 in connection with the Proposed Acquisition (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 December 2010

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

As at Latest Practicable Date, the following Directors and chief executive of the Company had, or were deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Long positions

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

Name of director	Capacity	Number of shares held	Percentage of Shareholding in the Company
Arthur H. del Prado	Beneficial Owner	*(Note i)*	–
Charles Dean del Prado	Beneficial Owner	*(Note ii)*	–
Lee Wai Kwong	Beneficial Owner	716,700	0.18%
Lo Tsan Yin, Peter *(Note iii)*	Beneficial Owner	444,000	0.11%
Chow Chuen, James	Beneficial Owner	372,000	0.09%

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

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2010	On appointment as director of the Company	Forfeited as a result of the performance condition during the period	As at Latest Practicable Date
Arthur H. del Prado	23.5.2007	23.5.2010 – 23.5.2015	EUR19.47	60,441	–	(7,555)	52,886
Charles Dean del Prado	1.2.2003	1.2.2006 – 1.2.2013	USD11.35	–	20,000	–	20,000
	23.5.2007	23.5.2010 – 23.5.2015	EUR19.47	–	22,451	(2,806)	19,645
	1.3.2008	1.3.2011 – 1.3.2016	EUR12.71	–	100,000	–	100,000
	30.11.2009	30.11.2012 – 30.11.2017	EUR15.09	–	50,000	–	50,000

Notes:

i. As regards Mr. Arthur H. del Prado:

(a) he himself, a member of his immediate family and a trust controlled by him together held about 20.10% shareholding (which carry voting power), represented by 10,629,878 common shares, in the issued share capital in ASM International N.V.. ASM International N.V. is a controlling shareholder of the Company holding 207,427,500 Shares which in aggregate represent approximately 52.36% of the entire share capital of the Company through its wholly-owned subsidiary, namely, ASM Pacific Holding B.V., and he is accordingly deemed or taken to be so interested; and

(b) 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.

ii. Mr. Charles Dean del Prado and his spouse directly held 134,317 common shares in ASM International N.V., together with his interest of 713,000 common shares in ASM International N.V. held through a trust controlled by Mr. Arthur H. del Prado, he is deemed to be interested in an aggregate of 847,317 common shares in ASM International N.V., representing 1.6% shareholding (which carry voting power) in the issued share capital in ASM International N.V..

iii. As at Latest Practicable Date, Mr. Lo beneficially owned 2,500 shares of ASM International N.V. (representing 0.0047% shareholding (which carry voting power) in the issued share capital in ASM International N.V.).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

None of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group taken as a whole.

Since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date, none of the Directors nor any experts named in the paragraph headed "Qualifications of Experts" in this Appendix has any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of shares held	Percentage of Shareholding in the Company
ASM International N.V.	Interest of a controlled corporation	207,427,500	52.36%
ASM Pacific Holding B.V.	Beneficial owner	207,427,500	52.36%
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	39,565,420	9.99%

Save as disclosed above, there is no person known to the Directors or the chief executive of the Company who, as at the Latest Practicable Date, had, or was deemed to have, an interest or short position in the Shares or the underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any option in respect of such capital.

4. LITIGATION

As at the Latest Practicable Date, one of the suppliers of the Target Group raised a claim against the Target Group. The management of the Target Group estimated the expected financial claim against the Target Group to be in an amount of approximately EUR 2,500,000. This amount has been accrued in the Combined Financial Statements of the Target Group for the financial year ended 30 September 2010 accordingly. The legal proceedings have not been finalized yet, however the management of the Target Group believes the accrued liability will be sufficient to meet its obligation under the claim.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensations (other than statutory compensation)).

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

6. COMPETING INTEREST

None of the Directors nor his associates is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date, and are or may be material:

(a) an agreement dated 19 March 2010 between No. 1 Construction Bureau Group Co., Ltd. (中國建築一局(集團)有限公司) and ASM Technology (China) Co., Ltd. (先進科技(中國)有限公司) (a subsidiary of the Company) in respect of construction of the ASM R&D Centre in Chengdu, Sichuan, China;

(b) an agreement dated 23 June 2009 between Shenzhen Haipeng Enterprise Co., Ltd.* (深圳市海鵬實業有限公司) and ASM Pacific Investments Limited (先進太平洋投資有限公司) (a subsidiary of the Company) in respect of the extension of the joint venture agreement up to 17 October 2016 in relation to the co-operative joint venture company深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Limited) established in October 1994;

(c) an agreement dated 18 December 2009 between Xiaojinkou Jie Office of the People's Government of Huicheng District of Huizhou City* (惠州市惠城區人民政府小金口街道辦事處) and ASM Pacific Investments Limited (先進太平洋投資有限公司) (a subsidiary of the Company) in respect of incorporation of ASM Technology (Huizhou) Limited (先進科技(惠州)有限公司) (a subsidiary of the Company) and lease of property in Huizhou, Guangdong, China;

(d) various agreements dated between 11 December 2008 and 30 June 2009 entered into between certain entities of the Target Group and local entities of the Seller Group in respect of the transfer from the local entities of the Seller Group to the said entities of the Target Group of the electronic assembly systems business from the Seller Group to the Target Group in the following countries: Hungary, Brazil, Germany, Poland, Switzerland, Spain and the United Kingdom;

(e) an agreement dated 17 June 2009 between Siemens Electronics Assembly Systems GmbH & Co KG and Vision-OS GmbH in respect of the divestment of the Automated Optical Inspection business by Siemens Electronics Assembly Systems GmbH & Co KG;

(f) an agreement dated 11 September 2009 between Siemens Electronics Assembly Systems GmbH & Co KG and Nano Focus AG in respect of the divestment of the SISCAN 3D Inline Inspection business by Siemens Electronics Assembly Systems GmbH & Co KG; and

(g) the Acquisition Agreement.

* *For identification purposes only.*

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. CONSENTS

Deloitte Touche Tohmatsu and Ernst & Young, Germany have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of their reports and references to their names in the form and context in which they respectively appear.

None of Deloitte Touche Tohmatsu nor Ernst & Young, Germany is beneficially interested in the share capital of any member of the Group and none of them has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given opinions contained in this circular:

Names	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Ernst & Young, Germany	member of the German Chamber of Certified Public Accountants

11. MISCELLANEOUS

(a) The company secretary of the Company is Miss So Sau Ming. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(b) The registered office of the Company is at Caledonian House, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company in Hong Kong at 12/F Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

(c) The share registrars and branch register office of the Company in Hong Kong is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 12/F Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong during normal business hours on any business day from the date of this circular up to and including 6 January 2011:

(a) the Acquisition Agreement;

(b) the memorandum and articles of association of the Company;

(c) the consent letters from Deloitte Touche Tohmatsu and Ernst & Young, Germany referred to in the paragraph headed "Consents" in this Appendix;

(d) the accountants' report of the Target Group issued by Ernst & Young, Germany on the basis of the audited Combined Financial Statements for the Target Group for the financial years ended 30 September 2009 and 30 September 2010 respectively prepared in accordance with IFRS as issued by International Accounting Standards Board, the text of which is set out in Appendix II to this circular;

(e) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the audited consolidated financial statements of the Group for the financial years ended 31 December 2008 and 31 December 2009 respectively;

(g) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix; and

(h) this circular.

The details of the Directors who will retire from their offices at the 2011 EGM and being eligible, will offer themselves for re-election at the 2011 EGM, are set out below:

(a) Charles Dean del Prado, Non-Executive Director

Mr. Charles Dean del Prado (He is also known as "Mr. Chuck del Prado"), aged 49, was appointed as the Non-executive Director of the Company on 29 April 2010. He is a member of the Management Board of ASM International N.V. ("ASM International") of the Netherlands since 2006. ASM International is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 52.36% of the issued share capital of the Company through its wholly-owned subsidiary, ASM Pacific Holding B.V. He assumed the position of Chief Executive Officer (CEO) of ASM International on 1 March 2008. As CEO, Mr. Charles Dean del Prado oversees the operations of the worldwide organization from the company headquarters in Almere, the Netherlands. Mr. Charles Dean del Prado is the son of Mr. Arthur H. del Prado, the Chairman of the Company.

During his twenty-year career, Mr. Charles Dean del Prado has had worldwide experience in sales, marketing, manufacturing, and customer service of high technology computer and semiconductor products.

From 2003 to 2008, he served as President and General Manager of ASM America, responsible for the R&D, sales, manufacturing, and service of the Epitaxy and TCP product lines, which include high-k and atomic layer CVD deposition. He also directed sales and service of ASM International's Front-end product lines to all US customers. Previously, Mr. Charles Dean del Prado served as Director of Marketing, Sales & Service of ASM Europe.

Prior to joining ASM International in 2001, Mr. Charles Dean del Prado spent five years at ASM Lithography in Taiwan and the Netherlands managing wafer stepper manufacturing and customer program management. From 1988-1996, Mr. Charles Dean del Prado had assignments in sales and global account management at IBM Nederland N.V.

Mr. Charles Dean del Prado received a Master of Science degree in Industrial Engineering and Technology Management from the University of Twente in the Netherlands.

There is no service contract between Mr. Charles Dean del Prado and the Company. Mr. Charles Dean del Prado has no fixed term of appointment as a director of the Company but he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. No emolument was paid or is paid or payable nor is any benefit to be given to Mr. Charles Dean del Prado for his appointment. There is no requirement upon the Company to pay compensation for loss of office or as consideration for or in connection with his retirement from his office save as in accordance with the Articles of Association of the Company and subject to the applicable statutory requirements.

Save as disclosed herein, Mr. Charles Dean del Prado does not and did not hold any other directorships in other listed public companies during the past three years and he does not have any relationship with any director, senior management or substantial shareholder or controlling shareholder of the Company for the purpose of the Listing Rules.

As at the Latest Practicable Date, Mr. Charles Dean del Prado and his spouse were deemed, within the meaning of Part XV of the SFO, to be interested in the shares of the Company through his holding of an aggregate of 847,317 shares in ASM International, and through his holding of share options in ASM International which, if exercised in full by him, will entitle him to hold an additional of 192,451 shares in ASM International.

As at the Latest Practicable Date, Mr. Charles Dean del Prado had the following options granted by ASM International to subscribe for shares in ASM International:

Date of grant	Exercise period	Exercise price	Share options of ASM International
1.2.2003	1.2.2006 – 1.2.2013	USD11.35	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	100,000
30.11.2009	30.11.2012 – 30.11.2017	EUR15.09	50,000

Save as disclosed herein, Mr. Charles Dean del Prado does not have, and is not deemed to have, any other interest in the shares of the Company or its associated companies (within the meaning of Part XV of the SFO).

Save as disclosed above, there is no further information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules, nor there is any other matter concerning Mr. Charles Dean del Prado that needs to be brought to the attention of the shareholders of the Company in relation to his appointment.

(b) Petrus Antonius Maria van Bommel, Non-Executive Director

Mr. Petrus Antonius Maria van Bommel ("Mr. Peter van Bommel") was appointed as the Non-Executive Director and Member of Audit Committee of the Company with effect from 29 October 2010. Mr. Peter van Bommel, aged 53, is the Chief Financial Officer of ASM International. He was appointed as a member of the Management Board of ASM International in May 2010 for a period of 4 years. He holds a Master's degree in economics from the Erasmus University, Rotterdam, the Netherlands. He has more than twenty years experience in the electronics and semiconductor industry. He spent most of his career at Philips, which he joined in 1979. From the mid-1990s until 2005, Mr. Peter van Bommel acted as Chief Financial Officer of several business units of the Philips group. Between 2006 and 2008, he was Chief Financial Officer at NXP (formerly Philips Semiconductors) and was Chief Financial Officer of Odersun AG, a manufacturer of thin-film solar cells and modules, until 31 August 2010.

During the period from March 2006 to September 2008, Mr. Peter van Bommel served as a Non-Executive Director of Advanced Semiconductor Manufacturing Corporation Limited ("ASMC"), a company incorporated in the People's Republic of China and listed on the Stock Exchange. From January 2007 to September 2008, he was also a Vice Chairman of the Board of Directors of ASMC.

There is no service contract between Mr. Peter van Bommel and the Company. Mr. Peter van Bommel has no fixed term of appointment as a director of the Company but he will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. No emolument was paid or is paid or payable nor is any benefit to be given to Mr. Peter van Bommel for his appointment. There is no requirement upon the Company to pay compensation for loss of office or as consideration for or in connection with his retirement from his office save as in accordance with the Articles of Association of the Company and subject to the applicable statutory requirements.

Save as disclosed herein, Mr. Peter van Bommel does not and did not hold any other directorships in other listed public companies during the past three years and he does not have any relationship with any director, senior management or substantial shareholder or controlling shareholder of the Company for the purpose of the Listing Rules.

As at the Latest Practicable Date, Mr. Peter van Bommel does not have, and is not deemed to have, any interest in the shares of the Company or its associated companies within the meaning of Part XV of the SFO.

Save as disclosed above, there is no further information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules, nor there is any other matter concerning Mr. Peter van Bommel that needs to be brought to the attention of the shareholders of the Company in relation to his appointment.

ASM Pacific Technology Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of ASM Pacific Technology Limited (the "**Company**") will be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 6 January 2011 at 3:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. **THAT**:

   (a) the Acquisition Agreement (as defined and described in the circular of the Company dated 21 December 2010 (the "**Circular**"), a copy of the Circular marked "**A**" together with a copy of the Acquisition Agreement marked "**B**" initialled by the chairman of the meeting for identification purpose) and the transactions contemplated under the Acquisition Agreement and the implementation thereof be and are hereby approved, ratified and confirmed; and

   (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he/she/they may in his/her/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.

2. To re-elect Mr. Charles Dean del Prado as a non-executive director of the Company.

3. To re-elect Mr. Petrus Antonius Maria van Bommel as a non-executive director of the Company.

On behalf of the Board
ASM Pacific Technology Limited
Lee Wai Kwong
Director

Hong Kong, 21 December 2010

Notes:

1. All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities (the "Listing Rules" on The Stock Exchange of Hong Kong Limited (the "**Exchange**") and the results of the poll will be published on the website of the Exchange and the Company in accordance with the Listing Rules.

2. A member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's principal place of business in Hong Kong at 12th Floor, Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.

4. A form of proxy for use at the EGM is enclosed. Whether or not a member intends to attend the EGM in person, the member is encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish and in such event, the form of proxy of such member shall be deemed to be revoked.

5. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, the person so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

As at the date of this notice, 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. Petrus Antonius Maria van Bommel 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.