# ASM PACIFIC TECHNOLOGY LIMITED

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

**(Stock Code: 0522)**

## ANNOUNCEMENT OF 2011 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

### *ASM Achieved Almost US$1 Billion Turnover In Six Months' Time*

***First Half of 2011***

- **Record Group turnover of US$944.4 million, increasing 76.3% and 37.4% as compared to the first and second six-month periods of 2010, respectively**
- **Net profit of HK$1.4 billion and earnings per share of HK$3.55, increasing 22.5% and decreasing 16.9% as compared to the first and second six-month periods in 2010, respectively**
- **Assembly and packaging equipment turnover of US$531.5 million, achieving growth of 20.9% over the first half year of 2010 and a decline of 7.9% against the preceding six months**
- **Lead frame turnover of US$103.3 million, achieving growth of 7.6% over same period last year and a decline of 6.1% against the preceding six months**
- **SMT equipment turnover of US$309.6 million, contributing to 32.8% of the Group's turnover**
- **New order bookings of US$812.8 million, representing a book-to-bill ratio of 0.86**
- **Retained the world's No. 1 position in the assembly and packaging equipment industry held since 2002**
- **Cash on hand of HK$2.0 billion at the end of June 2011**
- **Integration of the newly acquired SMT equipment business is well on track**

***2nd Quarter 2011***

- **Record Group turnover of US$510.7 million, a surge of 66.5% over same period last year and a sequential growth of 17.6% against the preceding quarter**
- **Net profit of HK$731.5 million and earnings per share of HK$1.84, a growth of 7.3% over same period last year and a growth of 8.3% over the preceding quarter**
- **Assembly and packaging equipment turnover of US$284.8 million, achieving growth of 11.3% over the second quarter of 2010 and a growth of 15.3% against the preceding quarter**
- **Lead frame turnover of US$58.0 million, a growth of 27.9% against the preceding quarter and a growth of 13.9% over same period last year**
- **SMT equipment turnover of US$167.9 million, a growth of 18.3% against the preceding quarter**
- **New order bookings of US$368.4 million, a decline of 17.1% over the preceding quarter**

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the six months ended 30 June 2011:

## RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved a turnover amounting to HK$7.3 billion in the six months ended 30 June 2011, representing an increase of 76.3% as compared with HK$4.2 billion for the first six months of 2010 and an increase of 37.4% against the preceding six months. The Group's consolidated profit after taxation for the first six months of 2011 was HK$1.4 billion as compared to a profit of HK$1.1 billion in the corresponding period in 2010 and a profit of HK$1.7 billion in the preceding six months. Basic earnings per share (EPS) for the first six months of 2011 amounted to HK$3.55 (first six months of 2010: HK$2.91, second six months of 2010: HK$4.29).

## DIVIDEND

In view of the Company's continuing strong liquidity and rising equity base, the Board of Directors has resolved to pay an interim dividend of HK$1.60 (2010: HK$1.60) per share. Despite giving out high dividends and continual expansion of our production and R&D capacity in the past few years, the Company continues to generate strong positive cash flow. This allows ASM to continue to adopt the prudent policy, as stated in the past several financial result announcements, of returning current excessive cash holdings to our shareholders while continuing to operate the Group with the optimal shareholders' fund. This year's dividend payout takes into consideration the need to expand our production and R&D capacity to capture further market opportunities, to satisfy customers' demand for our products, and to cater for the financial commitments to support the integration of the newly acquired SMT equipment business into the Group.

The Register of Members will be closed from 17 August 2011 to 19 August 2011, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant shares certificates, must be lodged with Company's Share Registrars, Tricor Secretaries Limited at 26th Floor, Tesbury Cetnre, 28 Queen's Road East, Wan Chai, Hong Kong, not later than 4:00p.m. on 16 August 2011. The interim dividend will be paid on or about 26 August 2011.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | **HK$'000** | HK$'000 |
| Turnover | *2* | **7,348,618** | 4,167,155 |
| Cost of sales | | **(4,551,061)** | (2,251,841) |
| Gross profit | | **2,797,557** | 1,915,314 |
| Other income | | **14,948** | 14,390 |
| Selling and distribution expenses | | **(427,494)** | (283,969) |
| General and administrative expenses | | **(203,768)** | (128,791) |
| Research and development expenses | | **(413,283)** | (203,586) |
| Other gains and losses | | **(31,084)** | 15,663 |
| Finance costs | | **(1,901)** | (1) |
| Profit before taxation | | **1,734,975** | 1,329,020 |
| Income tax expense | *4* | **(328,013)** | (180,655) |
| Profit for the period | | **1,406,962** | 1,148,365 |
| Exchange differences on translation of foreign operations, representing other comprehensive income for the period | | **139,657** | 15,923 |
| Total comprehensive income for the period | | **1,546,619** | 1,164,288 |
| Earnings per share | *6* | | |
| - Basic | | **HK$3.55** | HK$2.91 |
| - Diluted | | **HK$3.55** | HK$2.91 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | At 30 June 2011 (Unaudited) HK$'000 | At 31 December 2010 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,943,567** | 1,528,498 |
| Intangible assets | | **13,417** | - |
| Prepaid lease payments | | **28,897** | 28,782 |
| Pledged bank deposit | | **224,950** | - |
| Deposits paid for acquisition of property, plant and equipment | | **73,781** | 65,511 |
| Rental deposits paid | | **8,397** | 10,261 |
| Deferred tax assets | | **72,524** | 23,495 |
| Other non-current assets | | **3,268** | - |
| | | **2,368,801** | 1,656,547 |
| **Current assets** | | | |
| Inventories | | **3,186,402** | 1,624,182 |
| Trade and other receivables | *7* | **3,607,567** | 2,280,470 |
| Prepaid lease payments | | **996** | 977 |
| Derivative financial instruments | | **8,368** | - |
| Income tax recoverable | | **8,549** | - |
| Bank deposits with original maturity of more than three months | | **-** | 76,798 |
| Bank balances and cash | | **1,985,417** | 1,978,182 |
| | | **8,797,299** | 5,960,609 |
| **Current liabilities** | | | |
| Trade and other payables | *8* | **3,221,824** | 1,993,404 |
| Derivative financial instruments | | **1,859** | - |
| Provisions | | **412,054** | - |
| Taxation | | **676,276** | 482,992 |
| Bank borrowings | | **166,715** | - |
| | | **4,478,728** | 2,476,396 |
| **Net current assets** | | **4,318,571** | 3,484,213 |
| | | **6,687,372** | 5,140,760 |
| **Capital and reserves** | | | |
| Share capital | | **39,612** | 39,612 |
| Dividend reserve | | **633,790** | 1,267,581 |
| Other reserves | | **4,809,969** | 3,832,957 |
| **Equity attributable to owners of the Company** | | **5,483,371** | 5,140,150 |
| **Non-current liabilities** | | | |
| Pension plans and other commitments | | **32,115** | - |
| Provisions | | **82,254** | - |
| Deferred tax liabilities | | **663** | 610 |
| Other liabilities and accruals | | **1,088,969** | - |
| | | **1,204,001** | 610 |
| | | **6,687,372** | 5,140,760 |

*Notes:*

## 1. Principal Accounting Policies

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

During the current interim period, the Group acquired the entire equity interest of 13 direct and indirect subsidiaries of Siemens Aktiengesellschaft ("SEAS Entities") operating the Siemens Electronics Assembly Systems Business in 11 countries, including Germany, the People's Republic of China ("PRC"), the United Kingdom, France, Austria, the United States of America, Mexico, Singapore, Sweden, Italy and Brazil (the "Acquisition"). The accounting policies used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the following accounting policies which are adopted by the Group during the current interim period as they have become applicable to the Group as a result of the Acquisition.

<u>Business combinations</u>

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except the deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. Measurement period does not exceed one year from the acquisition date.

## 1. Principal Accounting Policies (continued)

Retirement benefit costs

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. All actuarial gains and losses of defined benefit plans are recognised immediately in other comprehensive income in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the condensed consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Intangible assets

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

*Impairment losses on intangible assets*

At the end of the reporting period, the Group reviews the carrying amounts of its intangible 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 asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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.

## 1. Principal Accounting Policies (continued)

Inventories

Inventories of surface mount technology equipment are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

*Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. Subsequent to initial recognition, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 “Provisions, contingent liabilities and contingent assets” and the amount initially recognised less cumulative amortisation (if appropriate).

In the current interim period, the Group has applied for the first time some revised standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2011. The adoption of the new HKFRSs has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 2. Segment Information

The Group has three (two for the six months ended 30 June 2010) operating segments: sales of assembly and packaging equipment, surface mount technology equipment and lead frame. The operations of surface mount technology equipment were introduced to the Group in the current interim period upon completion of the Acquisition (see Note 1), which resulted in the Group having a new operating segment in the current interim period. This new operating segment is engaged in development, production, sale and service of surface mount technology placement machines. The operating segments are 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. The Group is organised and managed around the three (two for the six months ended 30 June 2010) 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:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Segment revenue and results | | |
| Segment revenue from external customers | | |
| Assembly and packaging equipment | **4,135,831** | 3,420,037 |
| Surface mount technology equipment | **2,409,050** | - |
| Lead frame | **803,737** | 747,118 |
| | **7,348,618** | 4,167,155 |
| Segment profit (loss) | | |
| Assembly and packaging equipment | **1,529,426** | 1,284,077 |
| Surface mount technology equipment | **287,963** | - |
| Lead frame | **(32,522)** | 64,104 |
| | **1,784,867** | 1,348,181 |
| Interest income | **11,578** | 2,197 |
| Finance costs | **(1,901)** | (1) |
| Unallocated other income | **53** | 26 |
| Unallocated general and administrative expenses | **(59,622)** | (21,383) |
| Profit before taxation | **1,734,975** | 1,329,020 |

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.

All of the segment revenue derived by the segments is from external customers.

## 2. Segment Information (continued)

Turnover from major products

The following is an analysis of the Group's turnover from its major products:

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Sales of assembly and packaging equipment | **4,135,831** | 3,420,037 |
| Sales of surface mount technology equipment | **2,409,050** | - |
| Sales of lead frame | **803,737** | 747,118 |
| | **7,348,618** | 4,167,155 |

Geographical information by location of market

| | Turnover<br>Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Mainland China | **3,490,387** | 1,456,396 |
| Europe | **1,258,182** | 20,074 |
| Malaysia | **566,777** | 616,757 |
| Taiwan | **466,307** | 691,396 |
| Americas | **301,179** | 91,596 |
| Japan | **289,867** | 124,159 |
| Korea | **252,179** | 584,327 |
| Philippines | **210,047** | 182,586 |
| Thailand | **200,523** | 187,132 |
| Hong Kong | **182,260** | 133,961 |
| Singapore | **93,382** | 63,861 |
| Others | **37,528** | 14,910 |
| | **7,348,618** | 4,167,155 |

## 3. Depreciation and Amortisation

During the period, depreciation and amortisation amounting to HK$172.7 million (HK$109.1 million for the six months ended 30 June 2010) and HK$2.5 million (nil for the six months ended 30 June 2010) were charged to profit or loss in respect of the Group's property, plant and equipment and intangible assets, respectively.

## 4. Income Tax Expense

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| The charge comprises: | | |
| Current tax: | | |
| Hong Kong | **109,177** | 138,295 |
| Other jurisdictions | **212,679** | 41,405 |
| | **321,856** | 179,700 |
| Deferred taxation: | | |
| Current period | **6,157** | 955 |
| | **328,013** | 180,655 |

Current tax:

(a) Hong Kong Profits Tax is calculated at 16.5% (16.5% for the six months ended 30 June 2010) of the estimated assessable profit for the period.

(b) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 10% and 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rate for the Group's subsidiaries in the PRC range from 24% to 25% for the six months ended 30 June 2011 (ranged from 22% to 25% for the six months ended 30 June 2010).

(c) ASM Technology Singapore Pte Limited ("ATS"), a principal subsidiary of the Company, was previously granted the Manufacturing Headquarters ("MH") status by the Singapore Economic Development Board ("EDB") whereby the Group's profit arising from the manufacturing of semiconductor equipment and materials by ATS in Singapore was non-taxable under a tax incentive covering certain new products. The tax exemption applied to profits arising for a period of 10 years from 1 January 2001, subject to the fulfillment of certain criteria during the relevant period, and expired on 31 December 2010.

On 12 July 2010, the EDB granted a Pioneer Certificate ("PC") to ATS to the effect that profits arising from certain new equipment and lead frame products will be exempted from tax for a period of 10 years effective from dates commenced or to be commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods. EDB also granted a 5-year Development and Expansion Incentive to ATS to the effect that profits arising from certain existing products shall be subject a concessionary tax rate of 10% for a period of 5 years from 1 January 2011, subject to the fulfillment of certain criteria during the relevant period.

On the same date, EDB also granted ATS an International Headquarters Award to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, shall be subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period.

Income at ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (17% for the six months ended 30 June 2010).

## 4. Income Tax Expense (continued)

(d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% plus 5.50% solidarity surcharge thereon for all distributed and retained earnings. In addition to corporate income tax, trade tax is levied on taxable income. For the current period, taxable income of the German subsidiaries is subject to the German trade tax (local income tax) of 17.00%. Thus the aggregate tax rate amounts to 32.83%.

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

The deferred taxation charge 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 six months ended 30 June 2011 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax being charged on profits from some overseas subsidiaries that have not previously been included in the scope of charge for Hong Kong Profits Tax. As at 30 June 2011, the Group purchased tax reserve certificates amounting to HK$184.3 million (31 December 2010: HK$137.9 million) as disclosed in note 7.

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that sufficient provision for taxation has been made in the condensed consolidated financial statements and the amounts paid under the tax reserve certificates are fully recoverable.

## 5. Dividends

| | **Six months ended 30 June** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| <u>Dividend recognised as distribution during the period</u> | | |
| Final dividend for 2010 paid of HK$2.10 (2010: final dividend for 2009 paid of HK$1.20) per share on 396,119,000 (2010: 394,392,100) shares | **831,850** | 473,270 |
| Special dividend for 2010 paid of HK$1.10 (2010: second special dividend for 2009 paid of HK$0.40) per share on 396,119,000 (2010: 394,392,100) shares | **435,731** | 157,757 |
| | **1,267,581** | 631,027 |
| <u>Dividend declared after the end of the interim reporting period</u> | | |
| Interim dividend for 2011 of HK$ 1.60 (2010: HK$1.60) per share on 396,119,000 (2010: 394,392,100) shares | **633,790** | 631,027 |

The dividends declared after 30 June 2011 will be paid to the shareholders of the Company whose names appear on the Register of Members on 19 August 2011.

## 6. 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:

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Earnings for the purposes of basic and diluted earnings per share (Profit for the period) | **1,406,962** | 1,148,365 |

| | Number of shares (in thousand) | |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **396,119** | 394,392 |
| Effect of dilutive potential shares from the Employee Share Incentive Scheme | **579** | 510 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **396,698** | 394,902 |

## 7. Trade and Other Receivables

| | **At 30 June 2011 (Unaudited) HK$'000** | At 31 December 2010 (Audited) HK$'000 |
|---|---|---|
| Trade receivables | **2,896,410** | 1,895,898 |
| Amount recoverable from Siemens AG (*Note a*) | **64,065** | - |
| Amount due from ASM International N.V. – trade (*Note b*) | **-** | 30 |
| Tax reserve certificate recoverable | **184,329** | 137,929 |
| VAT recoverable | **335,754** | 198,657 |
| Other receivables, deposits and prepayments | **135,406** | 58,217 |
| | **3,615,964** | 2,290,731 |
| Less: Non-current rental deposits paid shown under non-current assets | **(8,397)** | (10,261) |
| | **3,607,567** | 2,280,470 |

## 7. Trade and Other Receivables (continued)

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

| | **At 30 June 2011 (Unaudited) HK$'000** | At 31 December 2010 (Audited) HK$'000 |
|---|---|---|
| Not yet due | **2,075,837** | 1,444,641 |
| Overdue within 30 days | **455,797** | 252,653 |
| Overdue within 31 to 60 days | **193,952** | 116,569 |
| Overdue within 61 to 90 days | **92,986** | 50,781 |
| Overdue over 90 days | **77,838** | 31,254 |
| | **2,896,410** | 1,895,898 |

*Note*s:

*(a)* Pursuant to the Master Sale and Purchase Agreement of the Acquisition (see Note 1) entered into between Siemens Aktiengesellschaft (the "Seller" or "Siemens AG") and the Company, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify the SEAS Entities from and against any and all taxes imposed to the SEAS Entities relating to any taxable periods beginning before and ending before or after the completion date while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of the SEAS Entities covered under the tax indemnity and is therefore recoverable from Siemens AG. It is due for settlement once the Group pays the related taxes.

*(b)* At 31 December 2010, amount due from ASM International N.V. was 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.

## 8. Trade and Other Payables

| | At 30 June 2011 (Unaudited) HK$'000 | At 31 December 2010 (Audited) HK$'000 |
|---|---|---|
| Trade payables | **1,537,899** | 982,204 |
| Amount payable to Siemens AG (*Note a*) | **198,424** | - |
| Amounts due to subsidiaries of ASM International N.V. - trade (*Note b*) | **80** | 880 |
| Accrued charges | **831,035** | 515,963 |
| Consideration payable | **95,604** | - |
| Deposits received from customers | **356,299** | 280,848 |
| Payables arising from acquisition of property, plant and equipment | **181,553** | 206,137 |
| Other payables | **20,930** | 7,372 |
| | **3,221,824** | 1,993,404 |

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

| | | |
|---|---|---|
| Not yet due | **1,076,625** | 615,949 |
| Overdue within 30 days | **271,208** | 270,895 |
| Overdue within 31 to 60 days | **137,558** | 72,067 |
| Overdue within 61 to 90 days | **43,596** | 16,977 |
| Overdue over 90 days | **8,912** | 6,316 |
| | **1,537,899** | 982,204 |

*Notes*:

*(a)* The amount represents dividend entitlement of Siemens AG payable by the SEAS Entities. The amount is unsecured and non-interest bearing.

*(b)* 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 general credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

## REVIEW

2011 is a landmark year for ASM, and one which signals that the Group is forging a new era of growth. The integration of the newly acquired Surface Mount Technology ("SMT") Equipment business into our core activities is progressing well, and has helped to propel Group billings for the past six months as well as for the second quarter this year to new records. In fact, even without the additional contribution from the SMT Equipment business, Group billings for the second quarter this year were almost at the levels of the previous peaks. Furthermore, both billings and net profits for the Group (inclusive of the SMT Equipment business) during the first six months of 2011 alone have surpassed the full-year results of any of our previous years, except for 2010.

Group turnover was at US$510.7 million in the second quarter of 2011, representing an increase of 17.6% over the preceding quarter and a surge of 66.5% over the same period last year. During the first six months of 2011, Group turnover was US$944.4 million, increasing 76.3% and 37.4% as compared to the first and second six-month periods of 2010, respectively.

Net profit for the second quarter of 2011 was HK$731.5 million, an increase of 8.3% over the preceding quarter and an increase of 7.3% over the same period last year. During the first six months of 2011, net profit was HK$1.4 billion, increasing 22.5% and decreasing 16.9% as compared to the first and second six-month periods in 2010, respectively.

The new record results were achievable due to the strong backlog that we had accumulated during the robust preceding quarters and the contribution from the SMT Equipment business. During the second quarter, all our business segments, including Assembly and Packaging Equipment, Lead frames and SMT Equipment achieved double-digit growth in revenue both as compared to the corresponding period last year and to the previous quarter. The solid performance during the past six months reflected the strengths of the Group, namely the ability to build on its diversified product and application markets, strong market position, financial strength, as well as its expansion into the complementary SMT equipment market. Return on capital employed and on sales were 31.7% and 23.5% respectively for the six-month period.

During the first six months of 2011, Assembly and Packaging Equipment revenues were US$531.5 million, equivalent to 56.3% of the Group's turnover. It increased by 20.9% as compared to the first six-month period of 2010 and decreased by 7.9% as compared to the second six-month period of 2010. Assembly and Packaging Equipment revenue was at US$284.8 million in the second quarter of 2011, representing an increase of 15.3% over the preceding quarter and an increase of 11.3% over the same period last year.

Our Lead frame business achieved revenues of US$103.3 million, representing 10.9% of the Group's turnover during the first half of 2011. This represents an improvement of 7.6% and a decline of 6.1% as compared to the first and second halves of 2010 respectively. Our Lead frame business achieved a turnover of US$58.0 million in the second quarter of 2011, representing increases of 27.9% from the preceding quarter and 13.9% as compared to the same period last year.

Unfortunately, due to high metal prices, our Lead frame business suffered an operational loss of HK$32.5 million during the first half of this year. In order to rectify the imbalance between metal prices and Lead frame prices, we are implementing cost reduction measures, while at the same time working with our customers on ways to share the cost increases.

During the first six months of 2011, SMT Equipment revenues were US$309.6 million, equivalent to 32.8% of the Group's turnover. SMT Equipment revenue was at US$167.9 million in the second quarter of 2011, representing an increase of 18.3% over the preceding quarter. During the first six months of

## REVIEW (continued)

2011, the SMT Equipment business contributed net profits of HK$132.1 million to the Group, with an EBIT margin of 11.3% and a gross margin of 27.2%.

During the first half of 2011, sales attributable to our five largest customers combined were 14.1% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy. ASM also enjoys healthy territorial diversification of its major markets. By geographical distribution, China, Europe, Taiwan, Malaysia and Americas have been the top five markets for ASM in the first half of 2011. China, inclusive of Hong Kong, remains our largest market, maintaining its share at 50.0%. It is followed by Europe (17.1%), Malaysia (7.7%), Taiwan (6.3%), Americas (4.1%), Japan (3.9%) and Korea (3.4%). Our diversified product portfolio, which has now expanded into SMT placement products, also continues to be one of our strengths. In particular, the addition of the SMT Equipment business has increased ASM's market presence in Europe and the Americas. The Group's excellent financial performance in recent years provides clear evidence of the growing acceptance of our products by a larger pool of customers. 80% of the Group's turnover in the six-month period came from 240 customers. Four out of the top 20 customers in the first half this year are from SMT Equipment business.

New order bookings for the first half of 2011 was US$812.8 million, representing an increase of 46.2% compared to the second six months of last year. During the past six months, our book to bill ratio, representing net bookings over billings, was 0.86.

New order bookings in the second quarter of 2011 amounted to US$368.4 million, a sequential decrease of 17.1% as compared to the first quarter of 2011. Due to a decline in bookings in the second quarter, our ending order backlog as of 30 June 2011 was US$454.7 million, compared to US$593.9 million as of 31 March 2011. Our book to bill ratio for the second quarter was 0.72.

The recent weakness in bookings is attributable to the sluggish global economy, which is affecting demand in the semiconductor assembly and packaging equipment market. For instance, the frailty of the LED market is due mainly to low capacity utilization by the Backlighting Unit ("BLU") market segment. It seems that demand for assembly equipment for integrated circuit and discrete products also started to slow down towards the later part of the second quarter. However, the demand for SMT Equipment remained at a consistent level and its strength was sustained throughout the second quarter.

With the integration of the SMT equipment business, our ending inventory as of 30 June 2011 increased to HK$3.2 billion, as compared to HK$1.6 billion as of 31 December 2010. Due to our aggressive management of working capital, annualized inventory turn was 6.11 times (First half of 2010: 7.67 times).

Days sales-outstanding decreased to 71.3 days from 80.7 days in first half 2010. Our sound working capital management has resulted in a free cash flow of HK$553.3 million and a return on invested capital of 31.8% during the past six months.

Capital expenditure ("capex") in the first six months amounted to HK$431 million which was partially funded by the depreciation of HK$173 million for the same period.

After paying last year's final and special dividends totalling HK$1,267.6 million in May, funding capital investments in the first half of 2011 and making payment to Siemens AG for the purchase of the SMT equipment business, cash on hand as of 30 June 2011 was HK$2.0 billion, which was HK$70 million lower than six months ago. Our current ratio stands at 1.96 and a debt-equity ratio of 84.3%. With our on-going positive cash flow from organic growth operations, these figures permit ASM's management to recommend returning the excessive cash holdings to our shareholders in the form of dividends.

## REVIEW (continued)

### PROGRESS OF SMT EQUIPMENT INTEGRATION ACTIVITIES

The integration of the SMT Equipment business into the Group is progressing well. The synergies which we had envisaged at the time the acquisition was mooted have been confirmed. The manufacturing capabilities and expertise of our team in Asia are well-appreciated by our engineers in Germany, while our engineers and other staffs in Asia are correspondingly impressed by the advanced technologies developed in Germany.

The engineers throughout the Group are now aggressively working on cost reduction and in-sourcing to fulfil the synergistic potential. ASM's R&D team in Asia has started the designs of various components and modules for our SMT Equipment for the purpose of capability-enhancement and cost-reduction, using technologies that have been developed in-house. The prototypes which have been delivered to the SMT Equipment team have shown promising results.

Synergy can also be found in product development. Our engineers in Asia are working on a very advanced new bonder which will incorporate a module that is currently implemented in our SMT equipment. This new bonder is expected to be delivered to one of our leading customers by the end of this year for their state-of-the-art next generation chip packaging process.

The contribution from the newly-acquired SMT Equipment business is immediate and significant. The SMT Equipment business has boosted the revenue of the Group by 48.8%, and has also contributed positively to our bottom line ever since its acquisition.

The purchase consideration for the acquisition has been finalized at €86,697,000. After certain agreed adjustments, such as contributions by the seller (€29 million), an interim amount of €27,399,800 was paid to Siemens on 23 June 2011. A preliminary estimate is that approximately HK$0.9 billion gain would be realized from the acquisition. The exact value is subject to finalisation of valuation of certain assets and liabilities and it is expected to be completed in the coming quarter.

## PROSPECTS

After experiencing many quarters of robust growth, it is perhaps unsurprising that the market appears to be taking a breather. There are signs of sluggish market demand due to a slew of negative macroeconomic factors. We are unable to identify any single factor to be the primary cause of the problem. Nevertheless, the current global uncertainties are likely to have adversely affected end-user demand and investor confidence. The Japan earthquake and tsunami in March and risk of sovereign debt default in Europe and the United States are just some of the uncertainties facing the global economy today. Certain factors are clearly temporary and may reverse themselves shortly. Other problems have to be resolved decisively without allowing confidence to deteriorate any further. Otherwise, corporate investments will be stunted and economic growth will be further affected.

Whilst there are reports of small excess inventory problems in the semiconductor industry, it is generally believed that such excess inventory should be consumed by the end of the third quarter. The macroeconomic situation is probably still the key factor affecting the outlook of the market in the short term. In this respect, it is difficult to ascertain whether the macroeconomic situation will improve or get worse at this point in time.

## PROSPECTS (continued)

The weak LED equipment market has lasted longer than we had anticipated. Capacity utilization for backlighting units ("BLU") remained low throughout the second quarter this year. With the current uncertainty in the macroeconomic situation, recovery of this market segment may be further delayed.

There is not much visibility at the moment as regards the depth and duration of the perceived problems. The global economy may just be going through a soft patch, and the situation may quickly improve as a result of intensive global efforts that are being deployed into resolving them. In any event, we are of the opinion that a major global financial crisis such as the one in 2008 is unlikely to happen.

We continue to believe that consumer demand for televisions, automobiles, smart phones, portable computers and tablet PCs are the drivers of growth for the global semiconductor industry. There is no reason for us to believe that there will be a drastic contraction of demand for such products unless the global economy goes through a prolonged recession, which we believe, is unlikely.

However, in the midst of cyclical fluctuations, it is the time for us to reinvigorate and further sharpen our competitive advantages. We are mindful that ASM has grown much larger over the past two years. A slowdown in the market does offer ASM a window of opportunity to consolidate the progress that it has made and to work on programmes that will keep ASM fitter. When the already-strong fundamentals of a company are maintained or reinforced, the company will be able to emerge stronger from challenging market conditions. ASM has consistently outperformed its peers, and it is set to continue to benefit from its position of strength.

Although the industry may be facing cyclical headwinds, overall, we are still cautiously optimistic about 2011. Amongst other things, ASM is benefitting from the acquisition of the SMT Equipment business, and will achieve strong revenue growth this year. There are also long-term trends in the LED and SMT Equipment markets that ASM is well-placed to benefit from once the market returns to its former strength. The increasing popularity of consumer devices such as smartphones and tablet computers, and continuing growth of emerging markets will be key to the stimulation of demand.

## CORPORATE GOVERNANCE

The Group has complied with all the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2011 except the following deviations:

### Code Provision A.4.1

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

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

## AUDIT COMMITTEE

The audit committee is comprised of three Independent Non-executive Directors and one Non-executive Director who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

## REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011 in conjunction with the Company's external auditor.

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

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

## BOARD OF DIRECTORS

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

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

Hong Kong, 27 July 2011