ASM

ASM Pacific Technology Limited

(STOCK CODE 股份代號:0522)

Interim Report 2011 中期報告

www.asmpacific.com

Boundless Opportunities

商機無限

CONTENTS

Front cover: Headquarters for the SMT equipment business in Munich, Germany

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Arthur H. del Prado, *Chairman*
Lo Tsan Yin, Peter, *Vice Chairman*
Lee Wai Kwong
Chow Chuen, James
Robin Gerard Ng Cher Tat

Non-executive Directors:

Charles Dean del Prado
Petrus Antonius Maria van Bommel

Independent Non-executive Directors:

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

PRINCIPAL BANKERS

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

AUDITOR

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

SECRETARY

So Sau Ming

REGISTERED OFFICE

Caledonian House
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRARS AND BRANCH REGISTER OFFICE

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

COMPANY WEBSITE AND CONTACT

Website : http://www.asmpacific.com
Telephone : (852) 2424 2021
Fax : (852) 2481 3367

CHAIRMAN'S STATEMENT

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.

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.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

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 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.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

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.

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.

CHAIRMAN'S STATEMENT (CONTINUED)

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.

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.

Arthur H. del Prado
Chairman
27 July 2011

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 8 to 30, which comprises the condensed consolidated statement of financial position of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 July 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	HK$'000	HK$'000
Turnover	*3*	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	*5*	(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	*7*		
– Basic		HK$3.55	HK$2.91
– Diluted		HK$3.55	HK$2.91

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*8*	1,943,567	1,528,498
Intangible assets	*9*	13,417	–
Prepaid lease payments		28,897	28,782
Pledged bank deposit	*10*	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	*11*	3,607,567	2,280,470
Prepaid lease payments		996	977
Derivative financial instruments	*12*	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	*13*	3,221,824	1,993,404
Derivative financial instruments	*12*	1,859	–
Provisions	*14*	412,054	–
Taxation		676,276	482,992
Bank borrowings	*15*	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	*16*	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	*17*	32,115	–
Provisions	*14*	82,254	–
Deferred tax liabilities		663	610
Other liabilities and accruals		1,088,969	–
		1,204,001	610
		6,687,372	5,140,760

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2011

	Equity 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 2010 (audited)	39,439	420,371	–	155	72,979	(71,885)	2,317,990	631,027	3,410,076
Profit for the year	–	–	–	–	–	–	2,842,034	–	2,842,034
Exchange differences on translation of foreign operations	–	–	–	–	–	34,305	–	–	34,305
Total comprehensive income for the year	–	–	–	–	–	34,305	2,842,034	–	2,876,339
Sub-total	39,439	420,371	–	155	72,979	(37,580)	5,160,024	631,027	6,286,415
Recognition of equity-settled share-based payments	–	–	115,789	–	–	–	–	–	115,789
Shares issued under the Employee Share Incentive Scheme	173	115,616	(115,789)	–	–	–	–	–	–
2009 final and second special dividend paid	–	–	–	–	–	–	–	(631,027)	(631,027)
2010 interim dividend paid	–	–	–	–	–	–	(631,027)	–	(631,027)
2010 final dividend proposed	–	–	–	–	–	–	(831,850)	831,850	–
2010 special dividend proposed	–	–	–	–	–	–	(435,731)	435,731	–
At 31 December 2010 and 1 January 2011 (audited)	39,612	535,987	–	155	72,979	(37,580)	3,261,416	1,267,581	5,140,150
Profit for the period	–	–	–	–	–	–	1,406,962	–	1,406,962
Exchange differences on translation of foreign operations	–	–	–	–	–	139,657	–	–	139,657
Total comprehensive income for the period	–	–	–	–	–	139,657	1,406,962	–	1,546,619
Sub-total	39,612	535,987	–	155	72,979	102,077	4,668,378	1,267,581	6,686,769
Recognition of equity-settled share-based payments	–	–	64,183	–	–	–	–	–	64,183
2010 final and special dividend paid	–	–	–	–	–	–	–	(1,267,581)	(1,267,581)
2011 interim dividend declared	–	–	–	–	–	–	(633,790)	633,790	–
At 30 June 2011 (unaudited)	39,612	535,987	64,183	155	72,979	102,077	4,034,588	633,790	5,483,371
At 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	–	–	–	–	–	–	–	(631,027)	(631,027)
2010 interim dividend declared	–	–	–	–	–	–	(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 CASH FLOWS

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	HK$'000	HK$'000
Net cash from operating activities		1,188,425	1,116,997
Net cash used in investing activities			
Placement of pledged bank deposit		(224,950)	–
Withdrawal of bank deposits with original maturity of more than three months		76,798	–
Purchase of property, plant and equipment		(392,155)	(218,842)
Net cash inflow arising on acquisition of subsidiaries	*18*	557,449	–
Addition of prepaid lease payments		–	(20,672)
Deposits paid for acquisition of property, plant and equipment		(73,781)	(83,874)
Other investing cash flows		12,432	2,602
		(44,207)	(320,786)
Net cash used in financing activities			
Dividends paid		(1,267,581)	(631,027)
Bank borrowings raised		163,095	–
Repayment of bank borrowings		(69,660)	–
		(1,174,146)	(631,027)
Net (decrease) increase in cash and cash equivalents		(29,928)	165,184
Cash and cash equivalents at beginning of the period		1,978,182	1,253,872
Effect of foreign exchange rate changes		37,163	1,836
Cash and cash equivalents at end of the period		1,985,417	1,420,892

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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.

Business combinations

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

2. 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosures of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[3]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2012.
4 Effective for annual periods beginning on or after 1 July 2012.

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 and amendments will have no material impact on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

3. 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 2), 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:

Segment revenue and results

	Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

3. 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 (Unaudited) HK$'000	2010 (Unaudited) HK$'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 Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Mainland China	**3,490,387**	1,456,396
Europe	**1,258,182**	20,075
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**	14,909
	7,348,618	4,167,155

4. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'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 to 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

5. **INCOME TAX EXPENSE** (Continued)

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

(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 11.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

6. DIVIDENDS

	Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'000
Dividend recognised as distribution during the period		
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
Dividend declared after the end of the interim reporting period		
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.

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	
	2011 (Unaudited) HK$'000	2010 (Unaudited) HK$'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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK$392.2 million (HK$218.8 million for the six months ended 30 June 2010) on the acquisition of property, plant and equipment in addition to those acquired in the Acquisition.

9. INTANGIBLE ASSETS

Intangible assets were acquired in the Acquisition and comprise patents, licences and similar rights.

10. PLEDGED BANK DEPOSIT

Pursuant to the Master Sale and Purchase Agreement of the Acquisition (see Notes 2 and 18) entered into between Siemens Aktiengesellschaft (the "Seller" or "Siemens AG") and the Company (the "MSP Agreement"), the Group arranged for a bank guarantee to be provided to Siemens AG for the purpose of securing certain obligations of the Group in accordance with the MSP Agreement in an amount of EUR20,000,000 on the completion date of the Acquisition. At 30 June 2011, the deposit placed with a bank amounting to EUR20,000,000 (equivalent to HK$224,950,000) is pledged for the purpose of securing the bank guarantee. The pledged bank deposit will be released after one year from the end of the reporting period.

11. 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

11. 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

Notes:

(a) Pursuant to the MSP Agreement, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

12. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2011		At 31 December 2010	
	Assets	Liabilities	Assets	Liabilities
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK$'000	HK$'000	HK$'000	HK$'000
Foreign currency swap and forward contracts	8,368	1,859	–	–

The foreign currency swap and forward contracts were mainly related to purchase of EUR using USD at future maturity dates ranging from 27 July 2011 to 27 October 2011 amounting to an aggregate principal amount of USD37,500,000. The remaining contracts were related to purchase of USD using EUR at future maturity dates ranging from 15 July 2011 to 27 July 2011 amounting to an aggregate principal amount of EUR6,044,000.

The above derivatives were measured at fair value at the end of the reporting period using the prevailing forward exchange rates and yield curves derived from applicable interest rates with matching maturities of the contracts.

13. TRADE AND OTHER PAYABLES

	At 30 June 2011	At 31 December 2010
	(Unaudited)	(Audited)
	HK$'000	HK$'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 *(Note 18)*	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

13. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
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.

14. PROVISIONS

The Group's provisions mainly comprise warranties provision of HK$449,948,000 (31 December 2010: nil) and provisions for order related losses and onerous purchase contracts. The movement of the warranties provision is as follows:

	Warranties Provision HK$'000
At 1 January 2010 and 31 December 2010 (audited)	–
Arising from the Acquisition	363,542
Additions	149,918
Utilisation	(73,615)
Reversal	(13,519)
Currency realignment	23,622
At 30 June 2011 (unaudited)	449,948

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

14. PROVISIONS (Continued)

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

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Current	412,054	–
Non-current	82,254	–
	494,308	–

15. BANK BORROWINGS

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Unsecured amounts		
Bearing interest at 0.9% plus the London Interbank Offered Rate	108,949	–
Bearing interest at 2% plus the lending bank's cost of funds and cost of liquidity (an average rate of 2.5%)	44,329	–
Bearing interest at 113.5% of the Brazilian interbank lending rate (an average rate of 19.5%)	13,437	–
	166,715	–

16. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1 January 2010	394,392	39,439
Shares issued under the Employee Share Incentive Scheme	1,727	173
At 31 December 2010 and at 30 June 2011	396,119	39,612

All shares issued in prior year rank pari passu with the then existing shares in issue in all respects.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

17. PENSION PLANS AND OTHER COMMITMENTS

Certain SEAS Entities operate funded defined benefits pension scheme for all their qualified employees.

Pension benefits provided by certain SEAS Entities are currently organised primarily through defined benefit pension plans which cover virtually all German employees and certain foreign employees of the SEAS Entities.

Furthermore, the SEAS Entities provide other post-employment benefits, which consist of transition payments and death benefits to German employees after retirement. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans under Hong Kong Financial Reporting Standards.

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 reporting 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 reporting 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 recognised pension liability is equal to the DBO adjusted by unrecognised 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 unrecognised past service cost, is recognised as a pension liability or prepaid pension asset.

The main actuarial assumptions used are as follows:

Discount rate	4.74%
Expected return on plan assets	3.30%
Expected rate of compensation increase	2.25%
Expected rate of pension progression	1.75%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

17. PENSION PLANS AND OTHER COMMITMENTS (Continued)

The pension plans and similar commitments at 30 June 2011 comprise:

	(Unaudited) HK$'000
Principal pension benefit plans	10,891
Principal other post-employment benefit plans	17,243
Other commitments	3,981
	32,115

	(Unaudited) HK$'000
Net amount recognised in other comprehensive income (net of tax) for the six months ended 30 June 2011	
Actuarial gains (losses)	–
Income tax effect	–
	–

Principal pension benefit plans

A reconciliation of the funded status of the principal pension benefit plans to the amount recognised in the condensed consolidated statement of financial position at 30 June 2011 is as follows:

	(Unaudited) HK$'000
Fair value of plan assets	253,786
Total defined benefit obligation	
Defined benefit obligation (funded)	(263,575)
Defined benefit obligation (unfunded)	(1,102)
	(10,891)

The following table shows the change in the plan assets for the six months ended 30 June 2011:

	(Unaudited) HK$'000
Fair value of plan assets at completion date of the Acquisition	12,608
Cash injection by Siemens AG	217,929
Foreign currency exchange rate change	19,132
Expected return on plan assets	4,117
	253,786

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

17. **PENSION PLANS AND OTHER COMMITMENTS** (Continued)

Principal pension benefit plans (Continued)

The reconciliation of the changes in the DBO for the six months ended 30 June 2011 is as follows:

	(Unaudited) HK$'000
Defined benefit obligation assumed in the Acquisition	231,651
Foreign currency exchange rate change	19,225
Service cost	8,526
Interest cost	5,410
Benefits paid	(135)
	264,677

Other post-employment benefits

The reconciliation of the funded status of the other post-employment benefit plans to the amount recognised in the condensed consolidated statement of financial position at 30 June 2011 is as follows:

	(Unaudited) HK$'000
Defined benefit obligation (unfunded)	(17,243)

The reconciliation of the changes in the benefit obligation for the other post-employment benefits for the six months ended 30 June 2011 is as follows:

	(Unaudited) HK$'000
Defined benefit obligation assumed in the Acquisition	15,267
Foreign currency exchange rate change	1,267
Service cost	360
Interest cost	349
	17,243

Other commitments

The condensed consolidated statement of financial position also includes liabilities for other commitments consisting of liabilities for special plans in Italy and Austria.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

18. ACQUISITION OF SUBSIDIARIES

On 7 January 2011, the Group acquired the SEAS Entities for a cash consideration of EUR35,900,000 (equivalent to approximately HK$372,841,000). The transaction has been accounted for using the acquisition method of accounting.

The principal activities of the SEAS Entities is development, production, sale and service of surface mount technology placement machines.

	HK$'000
Consideration satisfied *(Note (a))*:	
– by cash	284,563
– by consideration payable, included in trade and other payables	88,278
	372,841

The consideration payable will be settled in the 3rd quarter of 2011.

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

The Company undertook to pay to one of the SEAS Entities located in Germany ("SEAS KG") an equity amount of EUR20 million (approximately HK$225.0 million) by increasing SEAS KG's registered limited partnership interest, and grant SEAS KG a revolving loan facility of up to EUR20 million (approximately HK$225.0 million) for a period of at least three years from the completion of the Acquisition subject to the terms and conditions as set out in the MSP Agreement (the "Loan Commitment"). The Company shall not alter, rescind, rewind or in any other way contradict the letter of support granted to SEAS KG up to an amount of EUR120 million (approximately HK$1,349.7 million) valid as for a duration of six years following the completion of the Acquisition. The letter of support is to procure that SEAS KG will for a period of six years after the completion of the Acquisition be in position to fulfil its obligations towards its creditors when the obligations become due. The Company undertook to procure that SEAS KG will not reduce or decrease the registered limited partnership interest of SEAS KG for a period of three years following the completion of the Acquisition.

Further, the Company undertook for a period of three years from date of the completion of the Acquisition that the Company would 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 MSP Agreement. In addition, the Company undertook certain employment protection clauses as included in the MSP Agreement, including the maintenance of existing site in Munich, Germany and Munich as the headquarters of the SEAS Entities, and compliance with certain collective labour agreements. The Company also undertook to pay Siemens AG liquidated damages in the amount up to EUR20 million (approximately HK$225.0 million) if the Group does not comply with its obligations in respect of the Sustained Business and employment protection as set out in the MSP Agreement and is not able to cure such non-compliance within a reasonable period of time. The Company agreed to provide Siemens AG with a bank guarantee which shall secure the obligations of the Group as set out above in an amount of not less than EUR20 million (approximately HK$225.0 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2011

18. ACQUISITION OF SUBSIDIARIES (Continued)

Acquisition-related costs have been excluded from the cost of acquisition and recognised as an expense in the period when incurred within the "general and administrative expenses" line item in the condensed consolidated statement of comprehensive income. Cumulative acquisition-related costs in respect of the Acquisition amounted to HK$50.1 million, HK$3.7 million (HK$18.3 million for the six months ended 30 June 2010) of which was charged to profit or loss in the current interim period.

Assets acquired and liabilities recognised (determined on a provisional basis) at the date of acquisition are as follows:

	HK$'000
Non-current assets	211,384
Net current assets	1,407,276
Non-current liabilities *(Note (b))*	(1,245,819)
Net assets	372,841
Net cash inflow arising on acquisition:	
Consideration paid in cash	(284,563)
Less: Cash and cash equivalents acquired	842,012
	557,449

Note (b): Apart from the assets and liabilities measured at provisional value, certain contingent liabilities have been assumed by the Group in the Acquisition and should be recognised as of the acquisition date. The management's initial assessment is that these contingent liabilities include losses arising from onerous purchase contracts and legal disputes of the SEAS Entities. The management of the Group is still in the midst of identification and valuing the contingent liabilities.

At the date for approval of issuance of these condensed consolidated financial statements, the purchase consideration and fair value of several items of net assets acquired have been determined on a provisional basis and are subject to finalisation of the identification and valuation of such items. Therefore, the initial accounting for the business combination has been determined only provisionally and thus, provisional values of purchase consideration and certain assets and liabilities and the related deferred tax liabilities arising from business combination during the period is subject to changes on completion of initial accounting. Based on the provisional values of the purchase consideration and net assets acquired, no goodwill or bargain purchase gain has been recognised in the condensed consolidated financial statements.

Based on the completion accounts of the SEAS Entities and after adjusting for obligations that Siemens AG agreed to bear, the pro forma net assets of the SEAS Entities based on such assumptions would have been HK$1.3 billion. Assuming the cash consideration of the Acquisition is the purchase consideration, the pro forma gain on bargain purchase based on such assumptions would have been HK$0.9 billion. The pro forma information is for illustrative purposes only and is not necessarily an indication of what the gain from bargain purchase of the Acquisition would actually be had the determination of the purchase consideration, identification and valuation of the items of the assets and liabilities and contingent liabilities been completed.

Included in the revenue and profit for the period of the Group are HK$2,409,050,000 and HK$132,093,000, respectively, which represent the revenue and profit of the SEAS Entities for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2011

19. RELATED PARTY TRANSACTIONS

(a) During the six months ended 30 June 2010, the Group paid a management fee of HK$375,000 (nil for the six months ended 30 June 2011) 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 shall be 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. The consultancy agreement was terminated with effect from 1 January 2011.

(b) During the period, the Group purchased property, plant and equipment from ASM Front End Manufacturing Singapore Pte. Limited, a subsidiary of ASM International N.V., at a consideration HK$1,140,000.

(c) Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK$40,561,000 (HK$24,681,000 for the six months ended 30 June 2010).

Certain shares of the Company were issued to the key management under the Employee Share Incentive Scheme which has a term of 10 years starting from March 1990, the scheme was extended for a further term of 10 years up to 23 March 2010 pursuant to an extraordinary general meeting of the Company on 25 June 1999. The scheme was further extended for another term of 10 years up to 23 March 2020 pursuant to an annual general meeting of the Company on 24 April 2009. The estimated fair value of such shares included in the emoluments above amounted to HK$16,162,000 (HK$10,338,000 for the six months ended 30 June 2010).

20. CONTINGENT LIABILITIES

In addition to the contingent liabilities as disclosed in note 18 and elsewhere in these condensed consolidated financial statements, the Group has contingent liabilities as follow:

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Guarantees given to the Singapore government for working permits of foreign workers in Singapore	3,103	3,000

21. CAPITAL COMMITMENTS

	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted for	171,901	–
– contracted for but not provided in the condensed consolidated financial statements	347,557	213,378
	519,458	213,378

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

Details of the interests of the Directors and chief executives of the Company and their associates in the share capital of the Company and its associated corporations as at 30 June 2011 as recorded in the register by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

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

Name of director	Capacity	Number of Shares held	Percentage of shareholding in the Company
Arthur H. del Prado	Beneficial Owner	*(Note 1)*	–
Charles Dean del Prado	Beneficial Owner	*(Note 2)*	–
Lee Wai Kwong *(Note 3)*	Beneficial Owner	846,700	0.21%
Lo Tsan Yin, Peter *(Note 4)*	Beneficial Owner	434,000	0.11%
Chow Chuen, James *(Note 5)*	Beneficial Owner	340,000	0.09%
Robin Gerard Ng Cher Tat *(Note 6)*	Beneficial Owner	37,000	0.01%

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

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2011	Adjustment from vesting conditions during the period	At 30 June 2011
Arthur H.del Prado	23.5.2007	23.5.2010 – 23.5.2015	EUR19.47	52,886	–	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	19,645	–	19,645
	1.3.2008	1.3.2011 – 1.3.2016	EUR12.71	100,000	25,000	125,000
	30.11.2009	30.11.2012 – 30.11.2017	EUR15.09	50,000	–	50,000
Petrus Antonius Maria van Bommel	23.12.2010	1.7.2013 – 1.7.2017	EUR16.27	25,000	–	25,000

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS IN SHARES (Continued)

Long positions (Continued)

Notes:

1. As at 30 June 2011, Mr. Arthur H. del Prado, as well as a Dutch private limited liability company and a foundation both controlled by him, altogether held about 20.49% of the share capital of ASM International N.V., represented by 11,342,878 common shares. ASM International N.V. through its wholly-owned subsidiary, ASM Pacific Holding B.V., is a controlling shareholder of the Company, holding 207,427,500 shares which is approximately 52.36% of the entire share capital of the Company. ASM International N.V. also holds the fixed-rate participating shares of ASM Assembly Automation Ltd., ASM Assembly Materials Limited and ASM Asia Limited which are wholly-owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

2. Mr. Charles Dean del Prado and his spouse directly held 134,317 common shares in ASM International, N.V., together with his interest of 713,000 common shares in ASM International N.V. held through a foundation 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 1.53% shareholding in the issued share capital in ASM International N.V..

3. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), on 11 March 2011 the Board of Directors resolved to allocate Share entitlements at par value to the management and employees of the Company in respect of their services for the vesting period from 11 March 2011 until 15 December 2011 (both days inclusive) ("Vesting period") whereby the Company has agreed on 11 March 2011 to allocate to Mr. Lee an entitlement of 130,000 Shares in respect of his service upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Lee in relation to this entitlement and his interest of 846,700 Shares includes this 130,000 Shares entitlement.

4. As at 30 June 2011, Mr. Lo beneficially owned 2,500 shares of ASM International N.V. (representing 0.0045% shareholding (which carry voting power) in the issued share capital in ASM International N.V.), and pursuant to the Scheme, on 11 March 2011 the Company also agreed to allocate to him an entitlement of 96,000 Shares in respect of his services upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Lo in relation to this entitlement and his interest of 434,000 Shares includes this 96,000 Shares entitlement.

5. Pursuant to the Scheme, on 11 March 2011 the Company agreed to allocate to Mr. Chow an entitlement of 78,000 Shares in respect of his service upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Chow in relation to this entitlement and his interest of 340,000 Shares includes this 78,000 Shares entitlement.

6. Pursuant to the Scheme, on 11 March 2011 the Company agreed to allocate to Mr. Ng an entitlement of 24,000 Shares in respect of his service upon expiration of the Vesting Period. Pursuant to the Scheme, no subscription price is to be payable by Mr. Ng in relation to this entitlement and his interest of 37,000 Shares includes this 24,000 Shares entitlement.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, as at 30 June 2011, none of the Directors or chief executives of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Long positions		Lending pool	
Name of shareholder	Capacity	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International N.V.	Interest of a controlled corporation	207,427,500	52.36%	–	–
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	39,499,420	9.97%	–	–

Save as disclosed above, as at 30 June 2011, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interests or short positions in the shares or underlying shares of the Company.

CORPORATE GOVERNANCE

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

OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 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.

CLOSURE OF REGISTER OF MEMBERS

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 Centre, 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.

www.asmpacific.com

ASM Pacific Technology Limited

12/F Watson Centre
16-22 Kung Yip Street
Kwai Chung, New Territories
Hong Kong
Telephone (852) 2424 2021
Facsimile (852) 2481 3367

This interim report is printed on environmental friendly paper
此中期報告以環保紙張印製

Subsidiaries

ASM Technology Singapore Pte Limited
ASM Pacific (Hong Kong) Limited
ASM Technology Hong Kong Limited
ASM Assembly Systems GmbH & Co. KG
Shenzhen ASM Micro Electronic Technology Company Limited
ASM Semi-conductor Materials (Shenzhen) Company Limited
ASM Technology (Huizhou) Co., Limited
ASM Technology (M) Sdn. Bhd.
ASM Technology China Limited
ASM Assembly Automation Limited