ASM

ASM Pacific Technology Limited

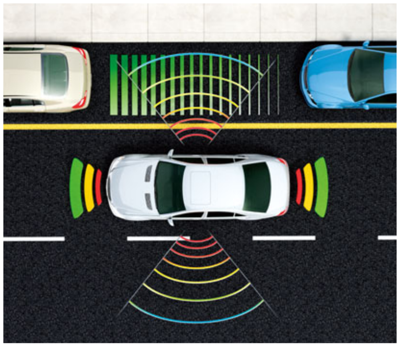
(STOCK CODE 股份代號:0522)

POISED FOR GROWTH 全力起動

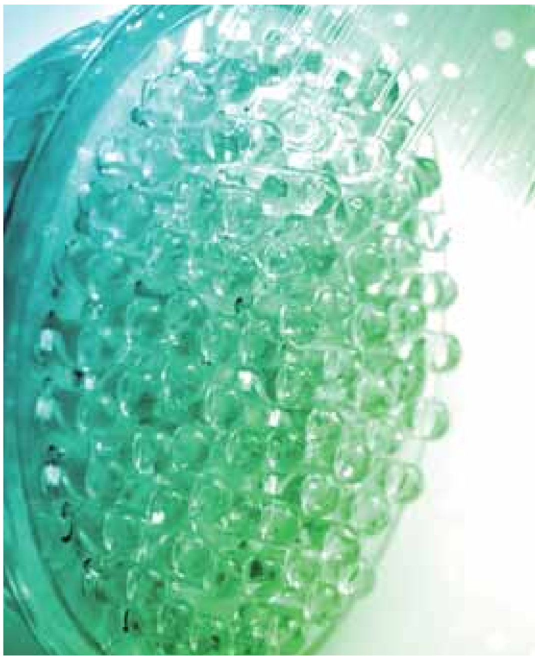
2013

ANNUAL REPORT

年報



ASMPT
Performance in Year 2013



- Group revenue of US$1.40 billion, representing a slight increase of 3.6% over the preceding year
- Net profit of HK$558.6 million and earnings per share of HK$1.40, a contraction of 18.9% against the preceding year
- Excluding the one-time charge associated with the partial relocation of our factory in Shenzhen, China, and related severance payments and tax effect, recurring Group net profit of HK$637.0 million and earnings per share of HK$1.60, a contraction of 7.5% against the preceding year
- Record Lead frame revenue of US$222.2 million, achieving a growth of 4.7% over 2012
- Back-end equipment revenue of US$670.4 million, representing an increase of 3.5% against 2012
- SMT equipment revenue of US$505.0 million, representing an increase of 3.4% against 2012
- New order bookings of US$1,385.7 million, an increase of 4.7% over 2012
- Bookings rebounded for all three business segments
- Back-end equipment business regained the global #1 position of the semiconductor assembly and packaging equipment market
- SMT equipment business advanced to world #2 from #3
- Cash on hand of HK$1.60 billion at the end of December 2013

ASMPT
二零一三年之業績表現

- 集團營業額為14.0億美元，較去年輕微增加3.6%
- 盈利為港幣5.586億元，每股盈利為港幣1.40元，較去年減少18.9%
- 撇除集團因搬遷中國深圳部分工廠的一次性費用，及有關的遣散費和稅務影響，集團的經常性業務盈利為港幣6.37億元，每股盈利為港幣1.60元，較去年減少7.5%
- 引線框架業務營業額創新高達2.222億美元，較二零一二年增加4.7%
- 後工序設備業務營業額為6.704億美元，較二零一二年增加3.5%
- SMT設備業務營業額為5.05億美元，較二零一二年增加3.4%
- 新增訂單總額為13.857億美元，較二零一二年增加4.7%
- 三個業務分部的訂單總額均有反彈
- 後工序設備業務重奪全球半導體裝嵌及包裝設備市場第一位
- SMT設備業務由全球第三位躍升至第二位
- 於二零一三年十二月底的現金結存為港幣16.0億元

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Arthur H. del Prado, 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
Lok Kam Chong, John
Wong Hon Yee
Tang Koon Hung, Eric

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
Commerzbank AG

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

With effect from 31 March 2014, will relocate to:
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

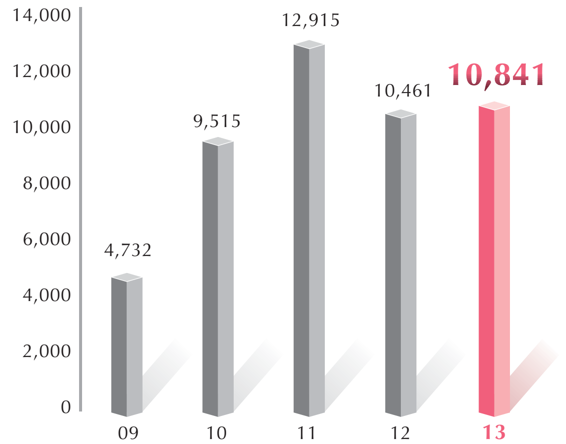
COMPANY WEBSITE AND CONTACT

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

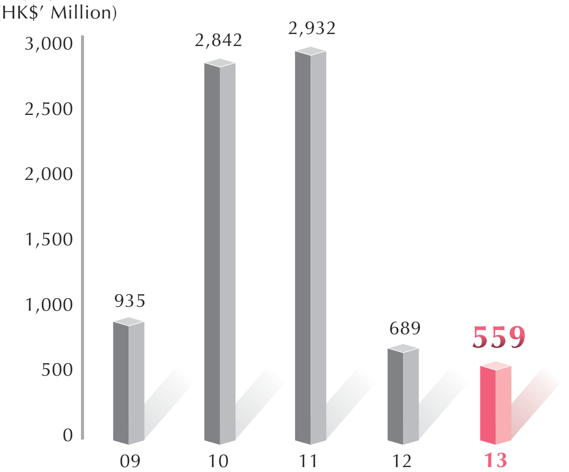
FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2013 HK$'000	2012 HK$'000
Turnover	**10,841,166**	10,460,558
Cost of sales	**(7,661,808)**	(7,298,182)
Gross profit	**3,179,358**	3,162,376
Other income	**31,774**	16,711
Selling and distribution expenses	**(898,478)**	(937,409)
General and administrative expenses	**(560,845)**	(451,618)
Research and development expenses	**(948,295)**	(905,115)
Other gains and losses	**(7,420)**	(7,493)
Restructuring costs	**(104,521)**	–
Finance costs	**(18,563)**	(8,774)
Profit before taxation	**673,010**	868,678
Income tax expense	**(114,421)**	(179,684)
Profit for the year, attributable to owners of the Company	**558,589**	688,994
Other comprehensive income (expense)		
– exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**93,807**	42,617
– remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	**12,108**	(40,160)
Other comprehensive income for the year	**105,915**	2,457
Total comprehensive income for the year, attributable to owners of the Company	**664,504**	691,451
Earnings per share		
– Basic	**HK$1.40**	HK$1.73
– Diluted	**HK$1.40**	HK$1.73

Turnover
(HK$' Million)



Profit
(HK$' Million)



CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") reported a turnover of **HK$10,841 million** in the fiscal year ended 31 December 2013, representing a rise of 3.6% as compared with HK$10,461 million for the previous year. The Group's consolidated profit after taxation for the year is **HK$559 million** which is 18.9% lower than the previous year's net profit of HK$689 million. Basic earnings per share (EPS) for the year amounted to **HK$1.40** (2012: HK$1.73). Excluding a one-time charge associated with the partial relocation of our factory in Shenzhen, China, and related severance payments and tax effect, net profit for the Group in 2013 contracted by 7.5% to **HK$637 million**, and basic earnings per share amounted to **HK$1.60**.

DIVIDEND

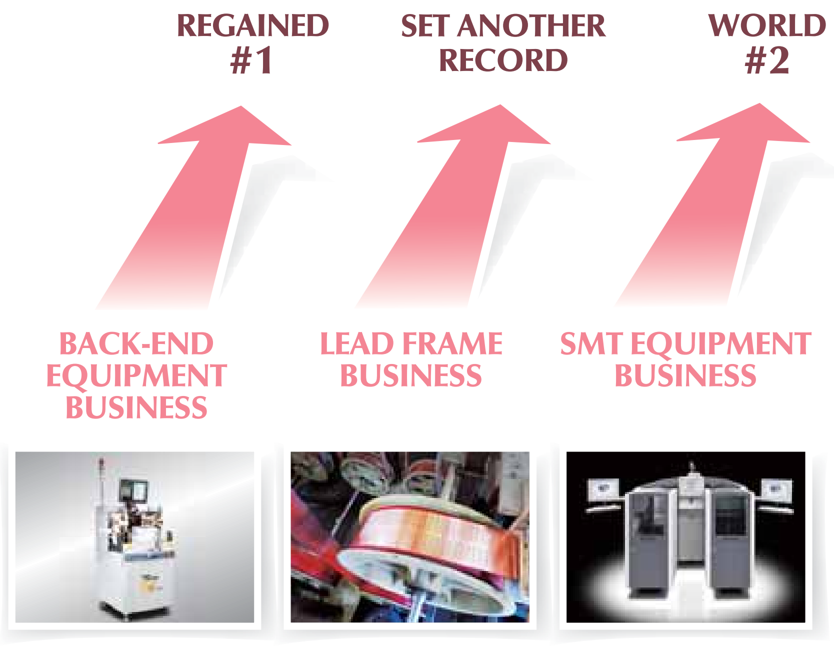
We continue to believe in returning excessive cash to our shareholders as dividends. After considering the Group's short term needs and our cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of **HK$0.50** (2012: final dividend of HK$0.30) per share. Together with the interim dividend of HK$0.35 (2012: HK$0.61) per share paid in August 2013, the total dividend payment for year 2013 will be **HK$0.85** (2012: HK$0.91) per share.

REVIEW

With the US and Europe still emerging from recession, 2013 continued to be a challenging year for our industry. In late 2012, there was an expectation that the following year would bring forth a noticeable improvement. In particular, the bookings for the second half of 2013 were expected to be strong. Unfortunately, the expectation did not quite materialize. On the bright side, while market demand did wane during the second half of 2013 as in the previous three years, the contraction was much smaller.

For ASMPT, 2013 was a year full of challenges as well as achievements.

First of all, all three segments of our business achieved small revenue growths relative to 2012, notwithstanding predictions by market analysts that both the semiconductor Back-end and SMT equipment markets would contract from 2012. Against this backdrop, our Lead frame business also set another new revenue record last year, surpassing the previous record that was set in 2012.



All three business segments have

OUTPERFORMED THE MARKET IN 2013

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Next, Group bookings exceeded the levels achieved in 2012. In fact, new order bookings for all three segments of our business registered positive, albeit small, growth.

Additionally, it appears that all three segments of our business were successful in gaining market share. This is amply demonstrated by the fact that we regained the number one position in the global semiconductor assembly and packaging equipment market, and even opened up a substantial lead over our closest rival that was holding the top position in 2012. Further, we continued to set new revenue records for our Lead frame business. We have also advanced from the third to the second position in the global SMT placement machine market through significant market share gains in China and the Americas. Based on our sales volume in 2013, we have undoubtedly attained the number one position in the Americas market for SMT equipment.

Our achievements are a reflection of our successful business strategies. ASMPT build its business with a diversified product portfolio and a broad customer base. This enables ASMPT to be more resilient during periods of challenging market conditions.

Furthermore, ASMPT's strategic approach of focusing on multiple application markets, investing in advanced technologies and collaborating with leading customers resulted in tangible rewards last year, and it opened up channels to both short-term and long-term growth of the Group.

Demand for our CMOS Image Sensor ("CIS") equipment was strong last year. The Light-Emitting Diode ("LED") equipment market continued on track towards recovery. Thermo-Compression Bonding ("TCB") equipment started to make meaningful contributions to our revenue stream, and our SMT equipment made in-roads into non-traditional SMT markets.

Likewise, the profitability of our Lead frame business improved significantly, powered by both internal and external factors.

Although the profitability of our Back-end equipment business has yet to show significant improvement due to a challenging market, we are confident that the various cost reduction measures and out-sourcing strategy that we have put in place will lead to significant improvements to the profitability of the Back-end equipment business segment during the second and/or third quarters this year, when business activities should improve further.

Enabling Technologies for future 2.5D/3D packages

Growth Driver

OPPORTUNITIES OFFERED BY TECHNOLOGY TRANSITION

Customers' Partner of Choice

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Meanwhile, despite the profitability of the SMT equipment business being negatively impacted by geographical mix and downward pressure on average selling prices ("ASP") brought about by the depreciation of the Japanese yen, on a positive note, the savings from our in-sourcing activities last year made a material contribution to the profitability of this business segment. Further opportunities for in-sourcing are being explored and implemented, and we have identified various avenues for improving the future profitability of the SMT equipment business.

Last but not least, we successfully entered into a sale and purchase agreement with Dover Corporation to acquire its DEK printer business. We believe that the DEK printer business will offer enhanced synergies to further build upon and expand our SMT equipment business.

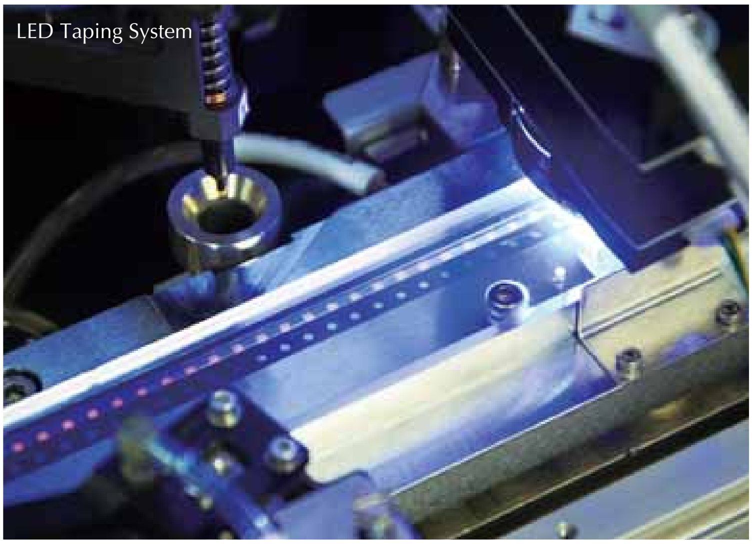
Overall, Group revenue for 2013 was US$1,397.6 million, representing a growth of 3.6% compared to 2012. Group net profit was HK$558.6 million, which amounts to a contraction of 18.9% from 2012. Excluding a one-time charge relating to the relocation of part of our factory in Yantian to Longgang in Shenzhen, China, and the severance payments related to the relocation and tax effect, Group net profit was HK$637.0 million, which was a 7.5% contraction from 2012.

The Lead frame business performed strongly last year. The revenue from our Lead frame business attained another new record of US$222.2 million, representing a growth of 4.7% from the year before. Last year, Lead frame revenue contributed to 15.9% of the Group's total revenue.

We continued to drive improvement in the profitability of our Lead frame business last year. The segment result improved 54.3% over the previous year.

Revenue of our Back-end equipment business grew by 3.5% last year to US$670.4 million, contributing to 48.0% of the Group's total revenue. With an aggressive cost reduction program in place, we were able to achieve a moderate improvement of 11.6% in the segment result of our Back-end equipment business last year.

On the other hand, revenue of our SMT equipment business grew by 3.4% to US$505.0 million. Last year, SMT equipment revenue contributed to 36.1% of the Group's total revenue. Profitability of our SMT equipment business was negatively affected by geographical mix and lower ASP pressure brought about by the depreciation of the Japanese yen.


LED Taping System

Total Solutions Provider for LED

Growth Driver

RECOVERY OF LED MARKET

Unparalleled Global Leader

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

ASMPT has a geographically well-diversified business. By geographical distribution, China (including Hong Kong) (49.4%), Europe (13.7%), the Americas (9.6%), Malaysia (8.5%) and Taiwan (5.9%) were the top five markets for ASMPT in 2013. We continue to make good progress in the Americas market, led by both our Back-end equipment and SMT equipment businesses. In fact, we are now the leader in the Americas market for SMT equipment.

Due to the weak economic conditions, the contribution to Group revenue from the European market has declined. Nevertheless, it has remained the second largest market for ASMPT. Towards the end of last year, we observed signs suggesting a recovery of the European market, which is in line with the general belief that the European economy is finally gaining strength after its long recession.

We continue to build our business on a diversified customer base. In 2013, our top 5 customers contributed to 16.1% of our total revenue. 80% of the Group revenue came from 240 customers. Out of the top 20 customers, 5 were from the SMT equipment business and 3 were key customers for both the Back-end and SMT equipment businesses.

New order bookings last year were US$1.39 billion, an improvement of 4.7% as compared to 2012. New order bookings for all three segments of our business improved over the previous year, with Back-end equipment business improved by 1.8%, Lead frame business by 11.9% and SMT equipment business by 5.5%. The book-to-bill ratio was 0.99, while backlog as of the end of last year was US$256.7 million.

Similar to the pattern seen in the last few years, the market contracted during the second half of last year. However, the contraction was significantly smaller this time. Our new order bookings for the second half of last year contracted by only 9.0% compared to the preceding six months but saw a growth of 29.4% over the second half of 2012. In our view, this could signal that we have reached or even passed the trough of the current industry cycle.

Despite the contraction in the second half of 2013, due to the contribution from our healthy backlog, billings for the second half of last year were at a higher level than the first half year. Group billings for the second half of last year was US$756.4 million, representing growths of 17.9% and 10.4% over the first half of last year and the same period in 2012, respectively.

Best in Class SMT Placement Solutions

Growth Driver

REVENUE AND PROFIT GROWTH FOR SMT

Powered to be #1

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

The SMT equipment business registered the most sizeable growth of 30.7% over the first half of 2013. SMT equipment revenue for the last six months of 2013 was US$286.1 million, contributing to 37.8% of the Group revenue. SMT equipment revenue was 4.3% above the same period of 2012.

Lead frame revenue for the second half of last year was US$114.2 million, representing increases of 5.6% and 5.7% over the first half of 2013 and the second half of 2012, respectively.

Back-end equipment business revenue grew by 13.2% and 17.5% over the first half of 2013 and the second half of 2012, respectively. Back-end equipment revenue totaled US$356.1 million for the second half of last year.

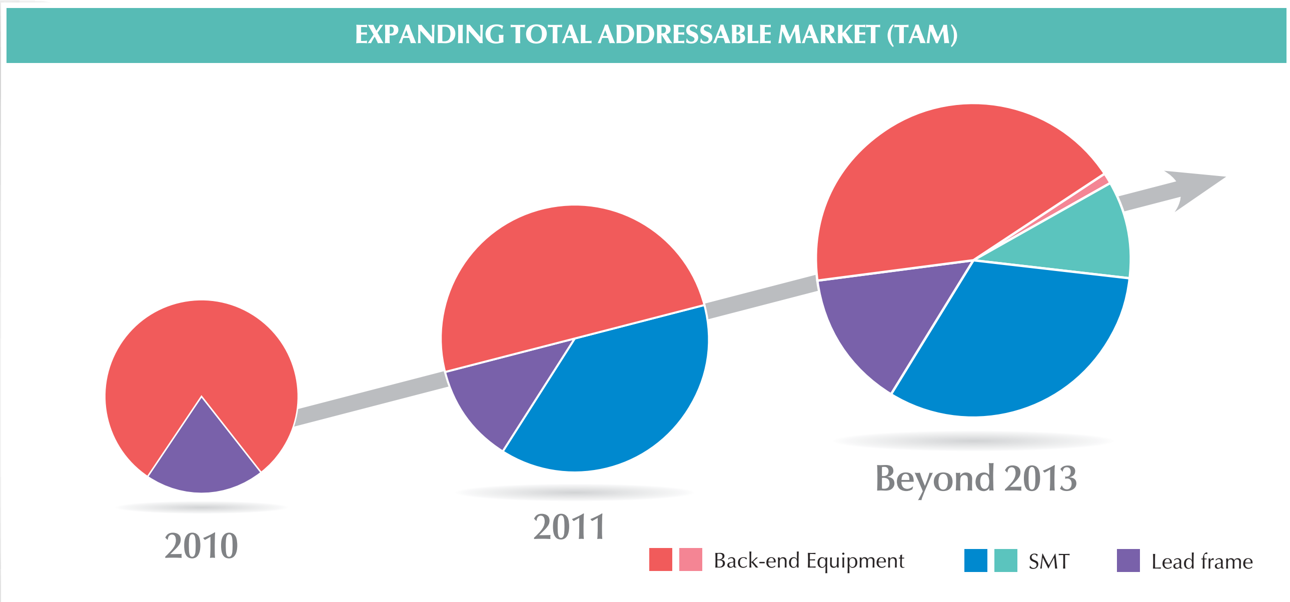
Excluding the one-time relocation charges and related severance payments and tax effect, net profit for the Group in the second half last year improved by 67.3% and 94.1% against the first half of 2013 and the second half of 2012, respectively. All three segments of our business demonstrated improved profitability during the second half of last year as compared to the preceding six months, with improvements in the results of the respective segments falling within the range of 31.2% to 150.9%.

We noticed that, during the fourth quarter of last year, the market was significantly better than that of the corresponding period in 2012. Bookings were US$292.8 million, representing an increase of 17.0% and a decrease of 20.3%, over the same period of the previous year and the preceding quarter, respectively.

Bookings for our Lead frame business rebounded by 13.6% from the drop during the third quarter of last year. Generally, the low point of our Lead frame bookings last year occurred during the third quarter and was relatively mild.

Bookings for our Back-end equipment business during the fourth quarter of last year achieved strong improvement of 25.7% over the same period a year ago. However, it suffered a 25.0% decline, quarter-on-quarter.

The fourth-quarter bookings for our SMT equipment declined both quarter-on-quarter and year-on-year by 26.1% and 4.5% respectively, but we are encouraged by the likely recovery of the European market in the near future.



Growth Driver

STRATEGIC M&A'S

Expanding TAM
Broaden Technology

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

During the fourth quarter last year, Group revenue was US$356.5 million, representing a decline of 10.9% and an improvement of 21.2% compared to the preceding quarter and the same quarter of previous year, respectively.

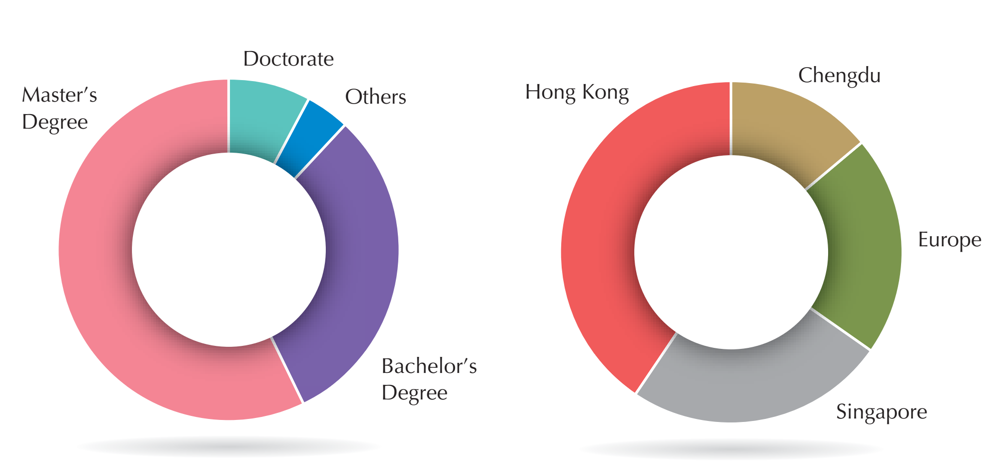
Back-end equipment revenue was US$159.9 million, representing a decline of 18.5% compared to the preceding quarter and robust growth of 53.1% compared to the same quarter of the previous year. Back-end equipment revenue contributed to 44.8% of the Group revenue in the fourth quarter.

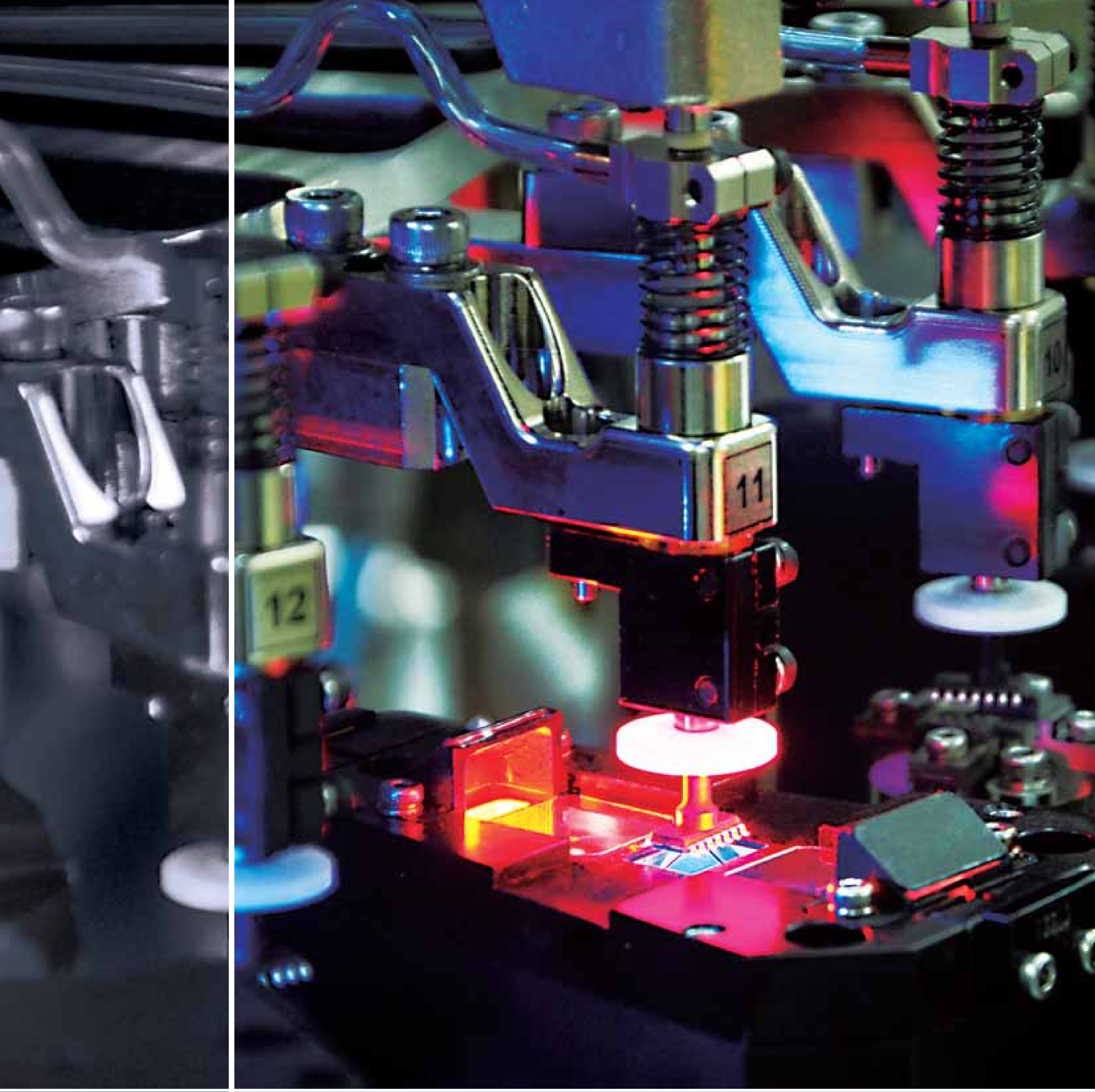
Lead frame revenue was US$51.2 million, representing decline of 18.6% against the preceding quarter and increase of 18.4% compared to the same quarter of the previous year. Lead frame revenue contributed to 14.4% of the Group revenue in the fourth quarter.

SMT equipment revenue was US$145.4 million, representing an improvement of 3.2% as compared to the preceding quarter and a slight decline of 0.7% compared to the same quarter of the previous year. SMT equipment revenue contributed to 40.8% of the Group revenue in the fourth quarter.

Although we had booked the one-time relocation charges and related severance payments and the costs related to the acquisition of the DEK business in the fourth quarter of last year, we were still able to achieve a small net profit as contrasted to a loss a year ago. However, gross margins during the quarter were negatively affected by the lower revenue level and the loss of productivity during the industrial incident in our factory in Yantian, Shenzhen, China in November last year. The said incident led to a reduction of 1,412 workers in our China factories, representing approximately 15.0% of our production workforce serving the Back-end Equipment business. After the incident, productivity has been quickly restored and even surpassed the pre-incident level. Going forward, we expect that the improvement in productivity will contribute positively to the gross margin improvement of our Back-end Equipment business.

HIGH QUALITY INTERNATIONAL TALENT (R&D TEAMS)





Core Competency

GLOBAL R&D

CHAIRMAN'S STATEMENT *(CONTINUED)*

LIQUIDITY AND FINANCIAL RESOURCES

Cash on hand as of 31 December 2013 was HK$1,597 million (2012: HK$1,487 million). During the twelve-month period, HK$259.5 million was paid as dividends (2012: HK$560.7 million). Capital addition during the period amounted to HK$350.4 million (2012: HK$542.0 million), which was funded by the year's depreciation and amortization of HK$427.4 million (2012: HK$389.0 million). Accounts receivable have been tightly monitored during the year. With slower sales during the fourth quarter of 2013, accounts receivable increased to 83.4 days sales outstanding (2012: 79.4 days).

As of 31 December 2013, current ratio was 2.43, with a debt-equity ratio of 51.7%. The Group had available bank loans and overdraft facilities of US$319.3 million or its equivalent, out of which US$85.4 million or its equivalent were committed facilities. As of 31 December 2013, US$89.8 million of the Group's bank loan and overdraft facilities was drawn down, out of which utilization of committed facilities was US$35.4 million. The Group's shareholders' funds increased to HK$7,081 million as at 31 December 2013 (2012: HK$6,557 million).

The Group has moderate currency exposure. The majority of our sales were denominated in U.S. dollars, Euros and Chinese Renminbi. On the other hand, the disbursements were mainly in U.S. dollars, Euros, Hong Kong dollars, Singapore dollars, Malaysian Ringgit and Chinese Renminbi. Our limited yen-based receivables were offset by some accounts payable in yen to Japanese vendors. With the addition of the SMT equipment business, the Group's exposure to Euro had increased starting from 2011.

We continue to believe in returning excessive cash to our shareholders as dividends. After considering our short-term needs and our cash on hand, the Board recommends a final dividend of HK$0.50 per share. The dividend payout ratio for 2013 is 60.9%.

Achieving significant productivity improvement through manufacturing process optimization

Core Competency

FLEXIBLE MANUFACTURING WORKFORCE

CHAIRMAN'S STATEMENT *(CONTINUED)*

HUMAN RESOURCES

ASMPT recognizes human resources as one of the Company's most important assets. Recruiting and retaining high-calibre employees is always of high priority in ASMPT. Besides offering competitive remuneration packages, ASMPT also commits to specialized yet demanding staff development and training programs. In general, salary review is conducted annually. In addition to salary payments, other benefits include contributions to provident fund schemes, medical and training subsidies. Discretionary bonus and incentive shares may be granted to eligible staff based on the Group's financial results and individual performance.

As of 31 December 2013, total headcount of the Group worldwide was approximately 14,400 people, of whom 1,300 were based in Hong Kong and 13,100 were based in Mainland China and other locations overseas.

Total manpower costs for 2013 were HK$3,318 million, as compared with HK$3,135 million for 2012.

PROSPECTS

Smart phones and tablet computers continue to be the most important drivers of growth for the market, while demand for automotive electronics is gaining traction. The rise in portable consumer devices also drives up demand for data centers, cloud computing and network infrastructures for accessing data on the move.

Most industry analysts continue to forecast positive growth in the demand for semiconductor devices. Together with such growth, LED lighting and displays are driving the demand for LED equipment. On the whole, the world economy seems to have improved as compared to a year ago.

Therefore, we are of the view that our industry is likely to have come off the bottom of the current industry cycle. In fact, we are noticing some positive signs in the market. For instance, our Lead frame bookings show strong growth momentum, and Back-end equipment customers seem to be more optimistic than a year ago. We anticipate that there is a good chance for our Lead frame business to achieve both quarter-on-quarter and year-on-year improvement in bookings during the first quarter of 2014, whilst there is a fair chance for our Back-end equipment and SMT equipment businesses to achieve the same showing. However, we are mindful that the macroeconomic conditions, confidence of consumers and level of business investment will invariably have a significant impact on the market as well as on our performance.

SMT Feeder production has been relocated to Malaysia

Core Competency

IN-SOURCING

CHAIRMAN'S STATEMENT *(CONTINUED)*

PROSPECTS (Continued)

With reduced bookings received in the previous quarter, we expect a sequential decline in Group billings in the first quarter of 2014, but a low double digit percentage improvement year-on-year. Most of the improvement is expected to come from the Back-end equipment and Lead frame business.

Besides growing on the back of market upturns, ASMPT also aims to achieve growth by gaining market share and participating in new technologies addressing the future needs of the industry. For example, TCB bonding equipment made a meaningful contribution to our revenue last year and we expect it to make a significant contribution this year. With our success in TCB bonders, we have become a clear number two in the flip-chip bonder market. This year, we will strive for the top position in the flip-chip bonder market.

The semiconductor market has changed significantly in the past few years. In tandem with the changes, our customers are aggressively developing new packaging solutions. ASMPT has been selected by many of its customers to not only be their equipment supplier, but also to be their technology development partner.

Unlike our peers, which mainly focus on specific product segments, ASMPT has a strong R&D team, comprehensive knowledge of the entire assembly process relating to semiconductor packaging and SMT placement, the broadest product portfolio and strong financial resources. We have found that when it comes to picking their technology development partners, many of our customers assign great weight to these factors.

Our experience of working with our leading customers in the development of CIS and TCB equipment has been very promising. This approach significantly shortens our time-to-market, with our product development cycle time being reduced significantly. In this respect, we are also able to substantially reduce the time it takes to generate meaningful revenue contributions from our new products.

The conversion to fine-pitch copper pillar flip-chip bonding and TCB bonding continue to offer ASMPT tremendous growth opportunities. Such advances have changed the technology game. They have diluted the advantages that our peers have been enjoying until now in the traditional flip chip bonder market. Furthermore, ASMPT continues to engage with its other leading customers to develop advanced and yet cost effective solutions for the challenging new packages.

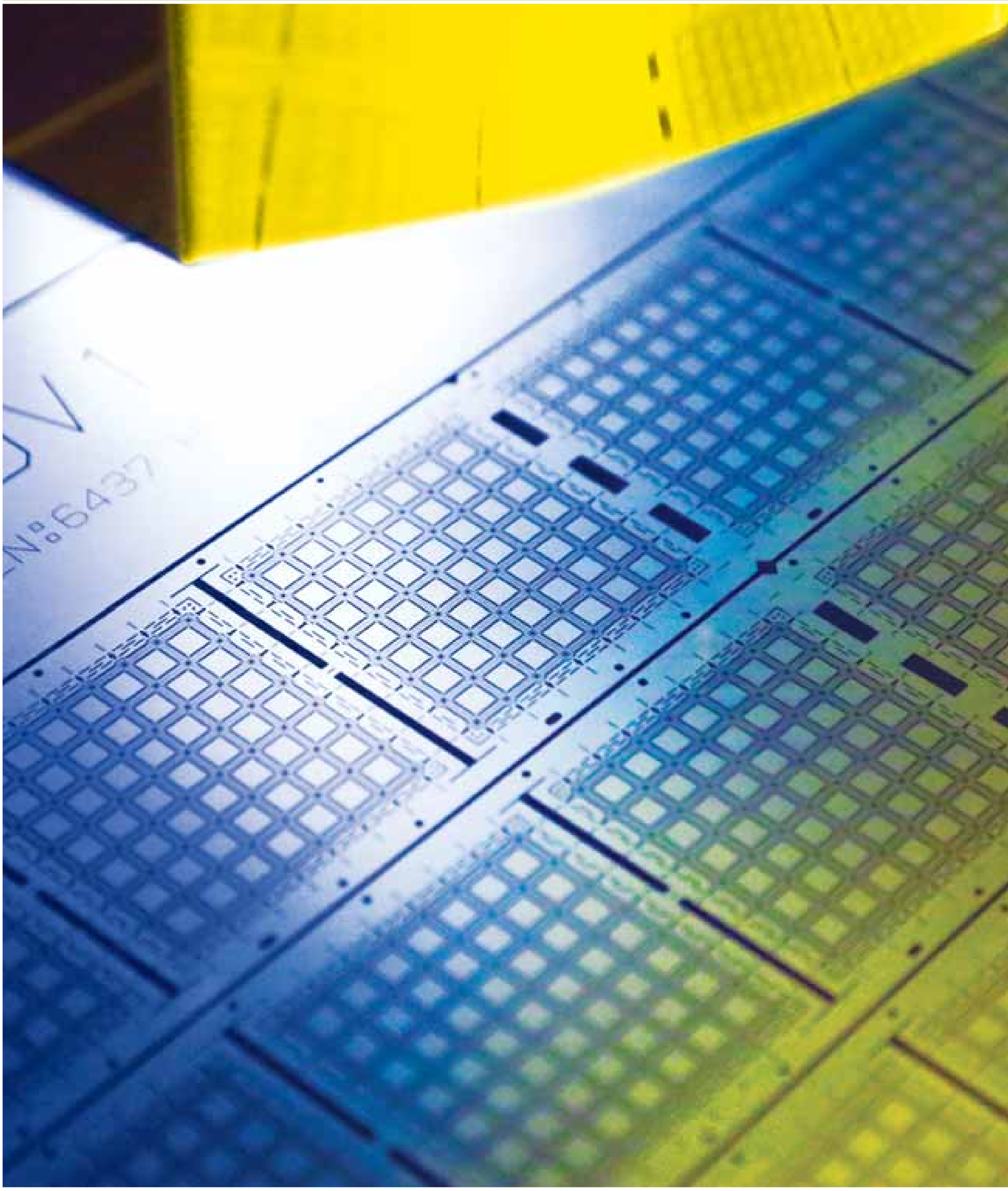
The addition of the DEK printer business to the Group offers significant synergistic potential. We expect the acquisition to help us to gain further market share in the SMT placement equipment market and, at the same time, solidify DEK's leading position in the screen-printing business. In fact, we have noted that DEK printers are not only used for SMT processes. Many of our customers in the semiconductor assembly and packaging business also use DEK printers, especially for the production of system-in-package ("SIP") devices.

PROVEN SUCCESSFUL BUSINESS STRATEGIES

- **Diversified Product Portfolio**
- **Broad Customer Base**
- **Excellent Customer Services**
- **Address Multiple Application Markets**

Core Competency

TOTAL SOLUTION



CHAIRMAN'S STATEMENT *(CONTINUED)*

PROSPECTS (Continued)

In February 2014, the Group also made a decision to invest in advanced multi-beam laser separation technology. It has done so through the purchase of, amongst other things, the intellectual property rights and know-how of Advanced Laser Separation International B.V. ("ALSI"), a Dutch technology company specializing in multi-beam laser-cutting and low-K wafer grooving. This marks the Group's entry into the laser saw business. Multi-beam laser cutting technology has various applications, including the grooving of low-K wafers, sawing of thin wafers and silicon-based LED wafers. The Group believes that access to the said technology will accelerate its know-how in laser saw equipment, and will enable the Group to further enhance its product portfolio for advanced packaging in the near future.

With the development of advanced flip chip bonders, TCB bonders, Mold Under Fill ("MUF") systems for flip chip and TCB packages, multi-beam laser separation systems for low-K wafers and thin wafers, and SMT solutions for system-in-package ("SIP") and wafer level packages ("WLP"), the Group aims to build a product portfolio that has an increasing contribution from advanced packaging solutions.

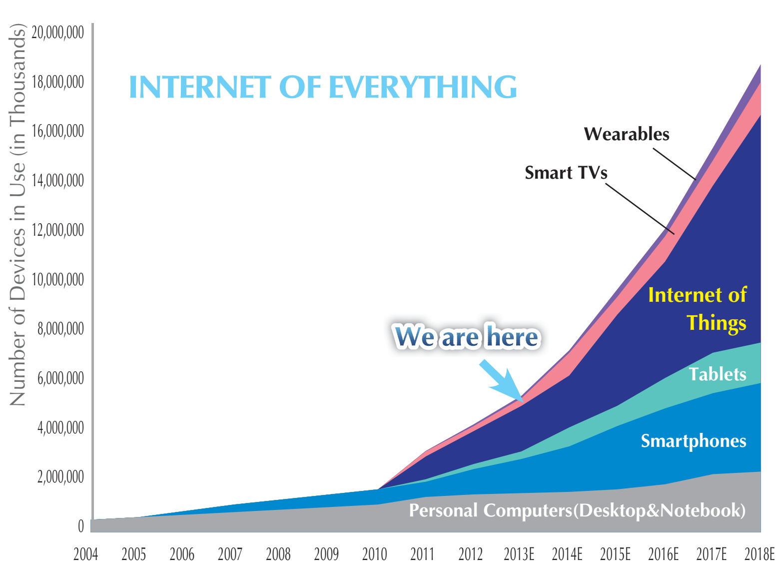
We believe we have put in place a solid long-term strategy to capture greater market share in both the Back-end semiconductor and SMT market segments and to improve their profitability. Coupled with our already-commanding position in the LED market, the future for ASMPT is promising.

APPRECIATION

The Group is operating in a very competitive business environment and the semiconductor and electronics industry has faced many challenges over the past few years. The strong commitment and determination of our employees and partners have ensured that we continue to be a leading supplier of equipment for both the Back-end and SMT markets. We would like to express our great appreciation for the invaluable contributions of our employees, customers, suppliers and stakeholders for the Group's success, and are grateful for their continued support and contributions as we lay the foundations for future growth.

Arthur H. del Prado
Chairman
26 February 2014

A SMART AND CONNECTED WORLD



Source: BI Intelligence Estimates

POISED FOR GROWTH
with Solid Foundation

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

ASMPT's sound business strategies have once again led the Group to outperform the market last year. Success factors underpinning its performance include focusing on multiple application markets, investing in advanced technologies and collaborating with its leading customers.

ASMPT has built a solid business foundation with a diversified product portfolio and a broad customer base, which has enabled ASMPT to be more resilient than its competitors during periods when market conditions are challenging. The diverse revenue streams and access to new market opportunities serve to thrust ASMPT ahead of its competition.

In 2013, overall Group revenue was US$1.40 billion, representing an increase of 3.6% from the previous year's turnover. New order bookings amounted to US$1.39 billion, a rise of 4.7% as compared to the previous year. Our backlog as of 31 December 2013 was US$256.7 million. Net profits decreased by 18.9% from the previous year to HK$558.6 million.

Although industry analysts have generally forecasted double-digit contractions for both the Back-end equipment and the SMT equipment markets, ASMPT has achieved small revenue growths for all its business segments, namely the Back-end equipment, Lead frames and SMT equipment business segments. Moreover, all three business segments gained further market share last year. Notably, the Lead frame business segment even set a new revenue record.

The Back-end equipment business regained its position as the top assembly and packaging equipment supplier in the world, and it also widened the revenue gap with its closest rival. The SMT equipment business advanced from the third position to the number two position in the world, and was the largest supplier in the Americas market.

Both the Lead frame and Back-end equipment businesses achieved improved profitability, with the segment results improving by 54.3% and 11.6% respectively over the previous year. Furthermore, all three business segments demonstrated significant improvements in profitability in the second half of last year as compared to the first six months.

One of the Group's major strengths is its diversified customer base. In 2013, our top 5 customers accounted for only 16.1% of our total revenue. The Group's growing pool of customers for a wide variety of products results in a highly stable revenue base to reinforce the growth of the Group. This is further complemented by our highly-diversified and wide product range, which enables us to offer a broad range of products and packaging solutions for the different groups of customers that we serve. In order to achieve such diversity, ASMPT has consistently excelled in delivering a good sales and support network and accompanying infrastructure to provide a high level of service to its customers.

In addition to the Group's diversified customer base and wide product range, we have also benefitted from our geographical diversification. China, Europe, the Americas, Malaysia and Taiwan are now the largest contributors to our revenue. The addition of the SMT equipment business into our portfolio has significantly raised the contributions from the markets in Europe and the Americas to the Group. Overall, China continues to be our biggest market.

OVERVIEW (Continued)

We are continuing to improve the competitiveness and profitability of our SMT equipment business. With the utmost commitment from all our employees, we have been able to seamlessly integrate the SMT equipment business into the Group to realize the synergistic effects of the acquisition. The SMT industry has proven to be a natural field of expansion for the Group, and has allowed us to achieve significant synergies due to the similar engineering, technical and production process characteristics shared with the Back-end equipment industry.

The SMT equipment industry is proving to have very solid long-term growth prospects for the Group. We can further exploit revenue opportunities in the Asian region by drawing on the Group's deep knowledge and established position in the Asian markets. We are actively increasing its revenue base by horizontally expanding its product portfolio, and joint product developments have been initiated to develop improved products by drawing from the strengths of all parties.

We have now put ourselves in a unique position to take advantage of the established market trend of convergence of the semiconductor assembly and SMT processes. For example, our Chip Assembly ("CA") machine from the SMT business unit has made in-roads into many different application areas, including SIP (system in package), WLFO (wafer level fan-out) and LED, which were traditionally in the domain of semiconductor assembly equipment.

Recognizing the strong growth potential of our SMT equipment business, we have increased R&D spending in the development of SMT products, software and technologies since we acquired the business. We have increased R&D resources in Munich, Germany and have also established R&D capabilities in Singapore and Chengdu, China for the SMT business. We are confident that these investments will deliver substantial returns in future.

The semiconductor industry is set to undergo a technology transition brought about by new wafer node technology and the popularity of personal mobile devices. Customers are constantly looking for innovations in new packaging technologies and are actively sourcing technology partners to help to explore new technology frontiers. Unlike many of our peers, which focus mainly on specific product segments, ASMPT has the broadest product portfolio, comprehensive knowledge of the assembly and SMT processes, advanced enabling technologies, a dynamic R&D team and strong financial resources. As a result, ASMPT has been the technology partner of choice for many of its customers.

As technologies are fast developing, capabilities and opportunities to co-develop new technologies with anchor customers is the key for future success. We believe that ASMPT is moving in the right direction.

The global semiconductor industry peaked in 2010, but has since gone through a many challenges. During this period, the market often deteriorated significantly in the second half of the year as compared with the first half. ASMPT has taken proactive steps to deal with the short-term cyclical challenges, and at the same time, continued to invest for future long-term growth.

The past three years have been a particularly trying period for the semiconductor industry. Macroeconomic conditions have had a serious impact on the industry. Although we cannot change the external conditions, we have focused on building a solid foundation for the Group to take advantage of the potential opportunities when macroeconomic conditions improve and the market rebounds.

The past year appears to mark a rebound for ASMPT. Besides revenue growth, all three business segments also experienced growth in bookings. In particular, bookings in the fourth quarter of last year were significantly better than a year ago. We are cautiously optimistic that 2014 will be a better year as compared to the past three years.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

MARKET AND PRODUCT DEVELOPMENT

Back-End Equipment Division

Last year, the Back-end equipment business regained its position as the assembly and packaging equipment market leader, and also widened the revenue gap with its closest rival. Back-end equipment revenue was US$670.4 million, representing 48.0% of the Group's turnover. As compared to the previous year, its revenue increased by 3.5% and its segment result rose by 11.6%. Moreover, bookings for the year increased by 1.8%.

Demand for our CMOS Image Sensor ("CIS") equipment was strong last year. The Light-Emitting Diode ("LED") equipment market continued on track towards recovery. Thermo-Compression Bonding ("TCB") equipment started to make meaningful contributions to our revenue stream. Both our die and wire bonders registered revenue growths last year while package-related Back-end equipment suffered a decline due to a late pick-up in activity last year. As such, revenue for our package-related Back-end equipment was higher in the second half of last year than in the first half.

We achieved quarterly billings of US$159.9 million for our Back-end equipment during the last quarter of 2013, a marked increase of 53.1% from a year ago. It is an indicator that the market momentum this year will potentially be better than last year. We anticipate that the recovery of the LED market and the incremental revenue contribution from TCB bonders will add further support to our Back-end equipment business this year.

While it is clear that the market is making a transition to flip chip bonding and TCB bonding, the transition will only affect certain package types and applications. For the past few years, mobile computing has been the major growth driver for the market. Cost is a very important consideration for our customers serving the consumer electronics market. We expect that conversion to flip chip bonding and TCB bonding will only take place for those packages or applications where flip chip bonding is demonstrably more cost-effective than traditional die and wire bonding, or superior quality and electrical performance can be achieved. In our opinion, the mainstream market will continue to be adequately served by die and wire bonding.

Our focus for the Back-end equipment business is to drive gross margin improvements and to ride on the business opportunities brought about by the technology transition in the semiconductor industry. Although we have not yet achieved our targeted gross margins, we had nevertheless made good progress last year. Gross margins for our Back-end equipment business reached the 40% level during the third quarter of last year. Nevertheless, our target is to achieve gross margins of around the 45% level during periods of strong sales.

Our approach in driving gross margin improvement is to develop measures to address the areas of production capacity utilization, product cost reduction and the lowering of our fixed production costs. Thus, we have fine-tuned our production planning system to utilize our idle capacity more efficiently during the low seasons. As a result, although our manufacturing expenses may not have come down as much as in previous years during the low seasons, conversely, we will also not need to ramp up to the same run rates as before during the peak seasons.

One of our countermeasures to the volatile market conditions is to make adjustments to our internal vertical integration business model. We are in the process of building more flexibility in our manufacturing by increasing the level of external manufacturing, redesigning the production process and retaining members of our core work force who possess critical skill sets, designing training programmes to train new recruits for non-core production activities in relatively short time-frames and using temporary and contract workers for non-core activities when market demand is strong to supplement our regular workforce.

While we are still in the process of implementing the above strategies, we have successfully reduced the level of recruitment last year during the second and third quarters when market demand was good.

MARKET AND PRODUCT DEVELOPMENT (Continued)

Back-End Equipment Division (Continued)

Wages in China continue to increase at a fast pace. This has affected the attractiveness of China as a manufacturing base. Comparatively, Malaysia has become more attractive. In order to address such a trend, we have made it a clear strategy to explore territories outside China for both our internal and external manufacturing.

We anticipate that, once we have successfully made the transition into more cost-efficient production, we will be able to lower the breakeven point of our Back-end equipment business.

Additionally, gaining market share has become our top priority. Last year, we successfully launched new products with enhanced performance and lower manufacturing costs, which have directly contributed to our success in achieving market share gains, particularly for the LED equipment market in China.

Our equipment portfolio encompasses a wide range of products to address the diverse needs of our customers in many different applications such as IC, discrete, power, flash memory, CIS, MEMs and LED. We focus on developing solutions to serve different application markets. Today, ASMPT is either the largest or second-largest supplier for all the major products that it offers to the market. Although we entered the test handler market only recently, our FT2018 has been very successful and it has enabled ASMPT to gain market share quickly. In just a few years' time, we have advanced to being the fourth largest supplier in the test handler market. ASMPT is particularly recognized as the leader in test handlers for handling small packages, and its sales have been spurred by the popularity of mobile devices.

As technology transition in our industry is taking place at a fast pace, we are seeking to build a varied product portfolio with increasing contribution from advanced packages.

We are addressing the flip chip market with a wide range of products. Our AD8312FC is a high-speed flip chip bonder which is applicable to low IO flip chips. It offers customers a cost-effective flip chip solution due to its high productivity. At the high end, we serve the market with our advanced TCB solution. Copper pillar flip chip bonding using thermo-compression bonding ("TCB") is gaining momentum in the marketplace. It is a good solution for connecting very fine pitch packages and offers superior package performance. We are also developing a new-generation flip chip bonder that will serve mainstream flip chip applications. Our unique solution combines high speed, high accuracy and high flexibility in one machine. Depending on their needs, customers may select how the ASMPT flip chip bonder should serve them. ASMPT's flip chip solution has been adopted by leading semiconductor companies and top OSATs in the world.

Existing TCB technology has its limitations. While offering customers superior package performance, its inherent disadvantage is its low productivity. We are collaborating with a leading customer to develop an innovative solution to achieve high productivity fine pitch copper pillar flip chip bonding which is capable of delivering similar superior package performance. We anticipate that such an innovative solution will open the door to the mobility market. The adoption of 2.5D and/or 3D packages will accelerate accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

MARKET AND PRODUCT DEVELOPMENT (Continued)

Back-End Equipment Division (Continued)

Fine pitch copper pillar flip chip bonding has also driven up demand for encapsulation systems with mold under fill ("MUF") technology. ASMPT is the market leader for MUF systems for singulated BGAs.

The growth in demand for system-in-packages ("SIP"), wafer level packaging ("WLP") and re-distribution layer ("RDL") is expected to accelerate. ASMPT addresses these markets with products from both the semiconductor Back-end equipment and SMT equipment product portfolios. The proposed acquisition of the DEK business will further strengthen ASMPT's position in the SIP market as DEK is a major supplier of screen printers for SIP applications.

We expect that the Multi-beam laser singulation technology for low-K wafer grooving and thin wafer dicing which we recently purchased will experience greater demand when customers move to new wafer node technology.

Smart phones and tablet computers is a major driver of growth for the semiconductor industry. Demand for automotive and power management applications is also gaining momentum. The migration to ever-higher resolution cameras is further driving the demand for CMOS Image Sensor ("CIS") equipment.

With the product portfolio that we have developed, we expect revenue contribution from advanced packages to increase over time.

Lead Frame Division

Our Lead frame business unit has been doing well. It has consecutively set new revenue records in 2012 and 2013. Our revenue for Lead frames in 2013 experienced a growth of 4.7% to a new record of US$222.2 million and profitability improved by more than 50%, as compared to the preceding year. It is apparent that we have once again out-performed the market. In fact, we have been gaining market share steadily for the past few years and our market position has been further strengthened. ASMPT is now among the top five lead frame suppliers in the world.

With the continuous growth in revenue and tight control on headcount increase in the past few years, we have successfully developed a lean manufacturing structure and managed to achieve good productivity improvement in this business segment. As most customers have accepted floating price mechanism or price increases and relatively stable price of precious metals for the past two years, profitability of our Lead frame business has improved significantly.

Our Lead frame facilities are strategically located in China, Malaysia and Singapore. We believe we have strike a good balance between cost and scale of operation. The continuous market share gain will bring to ASMPT further advantage due to benefits from economy of scale. It will translate into key cost advantage of ASMPT.

The synergies between the Lead frame business and Back-end equipment business is another competitive advantages of ASMPT. Our recent success in offering to the market the ultra-high density lead frames is one of the examples.

We have developed a good customer profile with the top ten customers for lead frame business being the major IDM and OSATs. No single customer has a dominant share in our business. ASMPT is perceived by customers as one of the most reliable lead frame suppliers. ASMPT's financial strength and track record of achieving consistent profitability in this business are likely the key contributing factors.

Our Lead frame bookings rebounded by 13.6% in the fourth quarter last year from the low in the preceding quarter. In fact, the contraction in lead frame bookings last year was quite mild. Lead frame revenue in the fourth quarter increased by 18.4% from the same quarter a year ago to US$51.2 million. The strong market momentum has strengthened our confidence that we are likely to set another new revenue record this year, provided that the market is not going to be negatively impacted by any unfavorable macro-economic conditions.

MARKET AND PRODUCT DEVELOPMENT (Continued)

SMT Equipment Division

Our SMT equipment business has made very good progress in market share gain in the past three years since it was integrated into ASMPT. Our market share is estimated to have increased from 11–12% in 2010 to around 19% in 2013. Last year alone, we have gained 4.5–5% market share. We have also advanced to the world number 2 position in the global market and number one position in the Americas market. Moreover, we have successfully penetrated into many new accounts.

Similar to the Back-end equipment market, the SMT equipment market faced a few years of challenging conditions. In particularly, we were affected by the recession in Europe since Europe is the second largest market for our SMT equipment business. As a result, we are yet to show significant profitability improvement after acquisition of this business. Nevertheless, we managed to stay profitable for every of the past twelve quarters, which is a performance most of the other industry players failed to achieve.

When we acquired this business, we set clear strategies to improve its profitability and to expand its revenue through: in-sourcing and increasing sourcing from Asian supplier base, tapping on ASMPT's marketing network in Asia, improving cost performance of the products, develop products to address the mainstream market and the adjacent market. Over the past three years, we developed plans to execute the above strategies. Positive results start to show off. In the first year, we have already proven that we have the engineering and production capability to carry out the in-sourcing strategy as planned. We started with the most challenging linear motor assemblies. Today, a significant portion of feeders, a major accessory for our SMT placement equipment, are producing in our factory in Malaysia. Last year, savings from in-sourcing activities made material contribution to the profitability of this business segment. We expect the savings will further increase this year. Over the past three years, we gained significant market share in China, advanced to the number one position in the Americas market and the number 2 position globally. We have got ready a new generation of products that will offer customers improved performance while we can produce with lower cost. It enhances ASMPT's competitiveness in the market and will make positive contribution to average selling price, revenue and profitability of our business. We have also developed a solder paste inspection equipment which will enable ASMPT to offer to customers a closed loop system consist of screen printer, solder paste inspection and placement machines. Development of the placement equipment for the mainstream market is on-track which will expand ASMPT's total addressable market.

Last year, we have entered into a sales and purchase agreement with Dover Corporation to acquire its DEK business. The deal is expected to be completed by the second quarter this year. The acquisition is timely. It will shorten the time ASMPT takes to offer the closed loop system solution to the market. We also anticipate that the coverage by DEK in the mainstream market will expedite ASMPT's penetration into this market segment with its placement machine.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

MARKET AND PRODUCT DEVELOPMENT (Continued)

SMT Equipment Division (Continued)

The SMT equipment business achieved US$505.0 million in revenue in 2013, which represented an expansion of 3.4% from 2012, even though the SMT equipment market in general was forecasted to have contracted by around 20% during this period. It contributed 36.1% to the Group's revenue in 2013. It achieved a gross margin of 27.7% and EBIT of 4.8% in 2013. Bookings improved by 5.5%.

Towards the end of last year, the European market showed signs of recovery. As we have a strong position in this market, its recovery will contribute positively to both the revenue and profitability of our SMT equipment business.

After achieving significant market share gains over the past three years, we have set a priority this year to improve profitability. With the increasing level of in-sourcing and a new generation of placement machines in place, we are confident that we will be able to achieve our target of driving gross margins for our SMT equipment business to above the 40% level over time.

FINANCIAL

We continue to streamline our working capital management to deal with a wide range of products and high fluctuation of production run rates. The acquisition of the SMT equipment business has increased our inventories significantly as the revenue contribution from the new business is sizeable. Last year, inventory turnover was 3.55 times (2012: 3.86 times), with an ending inventory of HK$3,236 million. Receivables have been tightly monitored. Accounts receivable increased to 83.4 days sales outstanding (2012: 79.4 days). Our bad debt exposure, if any, is immaterial and well-covered by provisions made in conformity with ASMPT's policy. There was a cash conversion cycle of 182.2 days. Free cash flow generated last year amounted to HK$418 million (2012: HK$89 million).

Capital investments amounting to HK$350.4 million were made in 2013, which was funded by last year's depreciation and amortization. Return on invested capital ("ROIC") was 9.9% (2012: 13.3%). The relatively low ROIC in the past two years was a result of the challenging market conditions. We believe that we have taken the necessary measures to bring it back to a much higher level when the market conditions improve. Cash on hand as of 31 December 2013 was HK$1,597 million (2012: HK$1,487 million).

As of 31 December 2013, current ratio was 2.43, with a debt-equity ratio of 51.7%. The Group had available bank loans and overdraft facilities of US$319.3 million or its equivalent, out of which US$85.4 million or its equivalent were committed facilities. As of 31 December 2013, US$89.8 million of the Group's bank loan and overdraft facilities was drawn down, out of which utilization of committed facilities was US$35.4 million. The Group's shareholders' funds increased to HK$7,081 million as at 31 December 2013 (2012: HK$6,557 million).

Bank borrowings are mainly arranged to support the day to day operations and capital expenditure. These are denominated in Hong Kong dollars and US dollars. As of 31 December 2013, cash holdings by the Group are mainly in US dollars, Euro, Chinese Yuan (RMB) and Hong Kong dollars. The SMT Equipment business unit of the Group enters into US dollars and Euro hedging contracts to mitigate the foreign currency risks as the production of SMT Equipment and its suppliers are mainly located in Europe while a substantial part of the Group's revenue for SMT Equipment are denominated in US dollars.

CAPACITY AND PLANT DEVELOPMENT

During the past few years, the market has demonstrated high volatility. Our relative high fixed cost as a result of our vertical integration internal manufacturing model has led to significant deterioration in the gross margin of our Back-end equipment business during the low seasons. To cope with the changed market conditions, we have fine-tuned our manufacturing strategies by increasing our out-sourcing level to 30% and building a flexible internal manufacturing work force by using more temporary and short-term contract workers during the peak seasons.

Wages in China have gone up significantly over the past few years and are expected to continue to increase further. It has become necessary for us to implement tight controls on headcount increases in our manufacturing operations in China. An unprecedented strike conducted by workers in one of our Shenzhen factories in November last year resulted in a headcount reduction of around 15% in respect of our Back-end manufacturing operations in China. This is expected to offer a positive contribution to our gross margin improvement.

To support future growth, additional capacity will be procured from external manufacturing, automation, productivity improvement and moderate capacity expansion in our factory in Malaysia.

This year, our capital expenditure budget will be HK$415 million, of which approximately 53% will be spent on production machineries either to upgrade our capabilities or to increase our capacities to address current production bottlenecks. We will also allocate more resources to further upgrade our IT infrastructure, and we expect that this will contribute positively to improving our efficiency. More resources will also be put into further enhancing our R&D capability to enhance our technological leadership and long-term cost advantages.

Additionally, we plan to expand our factory in Singapore so that we can integrate the facilities for our SMT equipment business in Singapore under one roof.

RESEARCH AND DEVELOPMENT

ASMPT has always been committed to R&D as being one of its competitive advantages which supports the future growth of the company. With our continued investment in R&D, we will further widen our technology leadership over our peers. Regardless of short-term challenges brought about by transient market and macroeconomic conditions, we remain determined to push ahead with our R&D investment. We believe in investing during dips in the market in preparation for the future.

Our R&D focus for the past few years has been in the areas of copper wire bonding, thin die handling, flip chip packaging, thermo-compression bonding ("TCB"), encapsulation of advanced packages, die and package singulation, test handling as well as automatic optical inspection ("AOI"). Advanced packaging of LEDs with the aim of improving light emission efficiency is also one area of focus. We have invested heavily in the development of TCB solutions recently, as we believe that the industry is on the verge of a technology transition. With its capability to address fine pitch flip chip bonding using copper pillars and potential applications for 2.5D and 3D packages, we believe that TCB is a promising technology for the future.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

RESEARCH AND DEVELOPMENT (Continued)

In the SMT equipment arena, our R&D focus has been in the areas of developing new generation placement machines which deliver better price performance at lower cost, software solutions to enhance the value of ASMPT products to customers, adjacent products for the SMT market and new placement machines addressing the low-end application market.

Advanced enabling technologies in the areas of linear motor, control systems and algorithm, computer vision, software and advanced materials are ASMPT's strengths. They enable ASMPT equipment to achieve state of the art performance at affordable cost.

We are satisfied with the progress made by our R&D center in Chengdu, China, which has strengthened our R&D capability. The R&D center in Chengdu is well-positioned to support all the different business units of the Group, including the SMT equipment business unit.

Both the R&D centers in Munich and Singapore for the SMT equipment business have been expanded to develop solutions to address market segments that have not been addressed by us so far and to expand our product portfolio in the SMT equipment market horizontally. We consider these to be important strategies to increase our market share and revenue.

We believe that with the expansion of our R&D resources, ASMPT's long-term strategic positioning as the leader of the Back-end equipment business, as well as the second-largest supplier of SMT equipment, would be significantly strengthened. ASMPT will be in a unique position to capture the market trend of convergence of chip packaging and SMT processes.

ASMPT's strategy over the years has been to deliver the best value propositions to our customers. We believe in investing substantially in R&D to implement this strategy. Thus, we have maintained our long-standing policy of spending 10% of our equipment turnover on R&D while ignoring short-term sales fluctuations. This has been very important to enable us to widen our product portfolio to supply to diversified market segments.

Our current research and development teams based in Hong Kong, Singapore, Chengdu and Munich consist of about 1,300 people with close to 65% of them having a Master or PhD degree. Our net R&D expenditure increased by 4.8% to HK$948 million (2012: HK$905 million), representing 10.4% of our equipment (Back-end as well as SMT) sales and is in line with our R&D funding guidelines. Approximately 42.9% of our R&D expenditure last year was spent on the SMT equipment business unit.

HUMAN RESOURCES

ASMPT recognizes human resources as one of the Group's most important assets. Recruiting and retaining high-calibre employees is always of high priority in ASMPT. Besides offering competitive remuneration packages, ASMPT also commits to specialized yet demanding staff development and training programs. In general, salary review is conducted annually. In addition to salary payments, other benefits include contributions to provident fund schemes, medical and training subsidies. Discretionary bonus and incentive shares may be granted to eligible staff based on the Group's financial results and individual performance.

As of 31 December 2013, the total headcount of the Group worldwide was approximately 14,400 people, of whom 1,300 were based in Hong Kong and 13,100 were based in Mainland China and other locations overseas.

Total manpower costs for 2013 were HK$3,318 million, as compared with HK$3,135 million for 2012.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The Directors recommend the payment of a final dividend of HK$0.50 (2012: Final dividend of HK$0.30) per share which, together with the interim dividend of HK$0.35 (2012: Interim dividend of HK$0.61) per share paid during the year, makes a total dividend for the year of HK$0.85 (2012: HK$0.91) per share.

Details of the results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 57.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 132 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2013 are set out in note 41 to the consolidated financial statements.

SHARE CAPITAL

On 16 December 2013, 1,389,200 shares were issued at par to certain employees pursuant to their entitlements under the Company's Employee Share Incentive Scheme.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that an independent professional trustee appointed by the Board under the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on the Exchange a total of 263,200 shares in the Company. The cost of purchase of these shares amounted to HK$23 million.

DIRECTORS' REPORT *(CONTINUED)*

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as at 31 December 2013 amounted to HK$2,122,906,000 (2012: HK$1,988,546,000). In accordance with the Company's Articles of Association, dividends can only be distributed out of profits of the Company.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Arthur H. del Prado, Chairman	
Lo Tsan Yin, Peter, Vice Chairman	(retired on 26 April 2013, appointed as Emeritus Vice Chairman during the period from 27 April 2013 to 31 December 2013)
Lee Wai Kwong, Chief Executive Officer	
Chow Chuen, James, Chief Operating Officer	
Robin Gerard Ng Cher Tat, Chief Financial Officer	

Non-executive Directors:

Charles Dean del Prado
Petrus Antonius Maria van Bommel

Independent Non-executive Directors:

Orasa Livasiri	
Lee Shiu Hung, Robert	(retired on 26 April 2013)
Lok Kam Chong, John	
Wong Hon Yee	
Tang Koon Hung, Eric	(appointed on 26 April 2013)

In accordance with the articles 113 and 114 of the Company's Articles of Association ("the Articles"), Mr. Arthur H. del Prado, Mr. Lee Wai Kwong, Mr. Chow Chuen, James and Mr. Robin Gerard Ng Cher Tat will retire from office as Directors at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The biographical details of the Directors during the year and up to the date of this report are set out below:

Arthur H. del Prado, aged 82, is the Chairman of the Company and founder of ASM International N.V. ("ASM International"), a major shareholder of the Company. Mr. del Prado used to be a member of the Board of several companies, civic and non-profit making organisations, among which the MEDEA+ Board, the "Micro Electronics Development for European Applications" project. He was also formerly a member of the Board of Directors of: Océ van der Grinten Nederland N.V., Manufacturer of Copiers and Printers; G.T.I. Holding N.V., an Electronic Equipment and Installations company; Delft Instruments N.V., a Manufacturer of High-Technology Industrial and Defense Products; Breevast N.V., Project Development and Management; Dujat, Dutch & Japanese Trade Federation and ABN-AMRO Bank, Advisory Counsel. At present, Mr. Arthur H. del Prado serves on the Board of several start-up companies in technology industries.

DIRECTORS (Continued)

Lo Tsan Yin, Peter, aged 65, was appointed to the Board as the Vice Chairman of the Company on 1 January 2007. He has a Bachelor of Science degree in Electronics Engineering from the University of Southampton, England. Mr. Lo joined the Group in 1980. He has over 30 years of experience in the computer and semiconductor industry. He retired as Vice Chairman on 26 April 2013 and was appointed as Emeritus Vice Chairman during the period from 27 April 2013 to 31 December 2013. Mr. Lo retired from the Company on 31 December 2013.

Lee Wai Kwong, aged 59, was appointed to the Board as the Chief Executive Officer of the Group on 1 January 2007. He has a Bachelor of Science degree and a Master of Philosophy degree from The Chinese University of Hong Kong, Hong Kong; both degrees are in Electronics. He also has a Masters degree in Business Administration from the National University of Singapore, Singapore. Mr. Lee joined the Group in 1980. He has over 30 years of working experience in the semiconductor industry. Mr. Lee currently serves as the Chairman of the Advisory Committee of the Department of Electronic Engineering of The Chinese University of Hong Kong, Hong Kong.

Chow Chuen, James, aged 57, was appointed to the Board as the Chief Operating Officer of the Company on 1 January 2007. He has a Bachelor of Science degree in Electrical Engineering from the University of Hong Kong and a Master of Science degree in Manufacturing System Engineering from the University of Warwick, England. Mr. Chow joined the Group in 1982. He has over 30 years of working experience in the electronics and semiconductor industry.

Ng Cher Tat, Robin, aged 50, was appointed to the Board as an Executive Director on 28 April 2011. He was also appointed as the Chief Financial Officer of the Group on 1 February 2010. Mr. Ng holds an accountancy degree from the National University of Singapore and a Master of Laws (Commercial Law) from the University of Derby. Mr. Ng is also a Fellow Certified Public Accountant of Singapore who has acquired more than 25 years of working experience in finance, audit and accounting.

Charles Dean del Prado (He is also known as "Mr. Chuck del Prado"), aged 52, was appointed as the Non-executive Director of the Company on 29 April 2010. He is a member of the Management Board of ASM International since 2006. He assumed the position of Chief Executive Officer (CEO) of ASM International on 1 March 2008. As CEO, Mr. Charles Dean del Prado oversees the operations of the worldwide organization from the company headquarters in Almere, the Netherlands. Mr. Charles Dean del Prado is the son of Mr. Arthur H. del Prado, the Chairman of the Company. During his twenty five-year career, Mr. Charles Dean del Prado has had worldwide experience in sales, marketing, manufacturing, and customer service of high technology computer and semiconductor products. From 2003 to 2007, he served as President and General Manager of ASM America, responsible for the R&D, sales, manufacturing, and service of the Epitaxy and TCP product lines, which include high-k and atomic layer CVD deposition. He also directed sales and service of ASM International's Front-end product lines to all US customers. Previously, Mr. Charles Dean del Prado served as Director of Marketing, Sales & Service of ASM Europe. Prior to joining ASM International in 2001, Mr. Charles Dean del Prado spent five years at ASM Lithography Holding N.V. (ASML) in Taiwan and the Netherlands managing wafer stepper manufacturing and customer program management. From 1989-1996, Mr. Charles Dean del Prado had assignments in sales and global account management at IBM Nederland N.V.. Mr. Charles Dean del Prado received a Master of Science degree in Industrial Engineering and Technology Management from the University of Twente in the Netherlands.

Petrus Antonius Maria van Bommel (He is also known as "Mr. Peter van Bommel"), aged 57, was appointed as the Non-executive Director of the Company on 29 October 2010. He is the Chief Financial Officer of ASM International. He was appointed as a member of the Management Board of ASM International in May 2010 for a period of 4 years. He holds a Master's degree in economics from the Erasmus University, Rotterdam, the Netherlands. He has more than twenty years of experience in the electronics and semiconductor industry. He spent most of his career at Philips, which he joined in 1979. From the mid-1990s until 2005, Mr. Petrus Antonius Maria van Bommel acted as Chief Financial Officer of several business units of the Philips group. Between 2006 and 2008, he was Chief Financial Officer at NXP (formerly Philips Semiconductors) and was Chief Financial Officer of Odersun AG, a manufacturer of thin-film solar cells and modules, from January 2009 until 31 August 2010. In April 2012 Mr. van Bommel was appointed member of the Supervisory Board and member of the Audit Committee of the Royal KPN N.V..

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS (Continued)

Orasa Livasiri, Independent Non-executive Director, aged 58, was appointed to the Board as an Independent Non-executive Director in 1994. She was a solicitor in private practice and a partner of Messrs. Ng, Lie, Lai & Chan prior to her retirement in November 2012.

Lee Shiu Hung, Robert, Independent Non-executive Director, aged 81, was appointed to the Board on 23 December 2004. Mr. Lee is a Certified Public Accountant with over 40 years of practical experience in auditing, accounting and finance, taxation and general management. He was engaged in public accounting practice in the name of Robert S.H. Lee & Co., Certified Public Accountants, since 1984 until his retirement in 2000. Mr. Lee previously held senior executive positions in multinational groups, including Jardine Matheson & Co. Limited and Hutchison International Limited. He was a President of the Society of Chinese Accountants & Auditors, Hong Kong in 1983/84 and a President of the Australian Society of Certified Practicing Accountants (CPA Australia) Hong Kong Branch in 1986/87. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, CPA Australia; the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is a member of the Advisory Board of the Society of Chinese Accountants & Auditors, Hong Kong. Mr. Lee retired as Independent Non-executive Director of the Company on 26 April 2013.

Lok Kam Chong, John, Independent Non-executive Director, aged 51, was appointed to the Board as an Independent Non-executive Director on 9 March 2007. Mr. Lok is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has 20 years of experience in financial management and corporate controllership. Mr. Lok started his career as an auditor in an international accounting firm and then moved to work for some major financial information companies, including Moneyline Telerate (Hong Kong) Ltd. and Dow Jones Telerate. He is currently a Director of FHL & Partners CPA Limited. Mr. Lok holds Dual Degrees in Master in Business Administration and Master of Science in Information Technology from The Hong Kong University of Science and Technology.

Wong Hon Yee, Independent Non-executive Director, aged 66, was appointed to the Board as an Independent Non-executive Director on 27 December 2012. Mr. Wong is a chartered engineer and a fellow of the Hong Kong Institution of Engineers. Presently he is the Associate Vice President (Knowledge Transfer) at the City University of Hong Kong. Prior to joining City University of Hong Kong, he has been involved in high-tech product design and engineering management in industry for 25 years, over 20 of which were spent at Ampex Ferrotec Ltd., a subsidiary of Ampex Corporation in the USA. He received his Bachelor of Science in Electrical Engineering from the University of Hong Kong in 1969 and Master of Science in Electrical Engineering and Computer Science (EECS) from the University of California, Berkeley in 1971.

Tang Koon Hung, Eric, Independent Non-executive Director, aged 68, was appointed as an Independent Non-executive Director on 26 April 2013. He was formerly an Independent Non-executive Director of the Company for the period from 6 September 2004 to 31 January 2007, an Executive Director and the Chief Financial Officer of the Company for the period from 1 February 2007 to 1 February 2010. Mr. Tang was qualified as a Chartered Accountant in Canada and is also a member of the Hong Kong Institute of Certified Public Accountants. He has worked in the fields of manufacturing, banking, and public utilities with some major corporations both in Canada and in Hong Kong. Mr. Tang graduated from the University of Toronto, Canada. He holds a Bachelor degree in Industrial Engineering and a Master degree in Business Administration.

SENIOR MANAGEMENT

The Group's senior management team includes, other than the Executive Directors, Mr. Wong Yam Mo, the Chief Technical Officer of the Group. His biographical information is as follows:

Wong Yam Mo, aged 54, is the Chief Technical Officer of the Group. He has a Bachelor of Science degree in Mechanical Engineering and a Master degree in Industrial Engineering, both from the University of Hong Kong, Hong Kong. He also holds a Master degree in Precision Engineering from Nanyang Technological University, Singapore. Mr. Wong joined the Group in 1983.

EMPLOYEE SHARE INCENTIVE SCHEME

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

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

On 22 March 2013, the Directors resolved that the Company should contribute HK$167,800 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,678,000 shares in the Company for the benefit of employees and members of the management of the Group in respect of their services for the year ended 31 December 2012 upon expiration of the defined qualification period.

The Board also resolved to instruct an independent professional trustee, appointed by the Board under the Employee Share Incentive Scheme, to purchase a total of 263,200 Shares at market price as soon as practicable on the Stock Exchange. These shares represented the aggregate of shares to which the four executive Directors, namely, Mr. Lee Wai Kwong, Mr. Chow Chuen, James, Mr. Lo Tsan Yin, Peter and Mr. Robin Gerard Ng Cher Tat, would be eligible to receive pursuant to the Scheme, and subject to the 2013 qualification period, the Shares would be held on trust for them.

In March 2013 the independent trustee purchased a total of 263,200 Shares, which represents approximately 0.07% of total issued share capital of the Company at the date of purchase, at total consideration of HK$23 million on the Stock Exchange. These 263,200 Shares were transferred to the said Directors at no cost upon the expiration of 2013 qualification period.

DIRECTORS' REPORT *(CONTINUED)*

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 31 December 2013 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

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

Name of director	Capacity	Number of shares held	Percentage of Shareholding in the Company
Lee Wai Kwong	Beneficial Owner	950,700	0.24%
Chow Chuen, James	Beneficial Owner	402,400	0.10%
Robin Gerard Ng Cher Tat	Beneficial Owner	57,000	0.01%
Tang Koon Hung, Eric	Beneficial Owner	13,000	0.003%

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 31 December 2013, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those rights described under the section headed "Employee Share Incentive Scheme" and the share options of ASM International granted to certain Directors, none of the Directors or chief executives or their spouses or children under the age of 18 had any right to subscribe for shares of the Company, or had exercised any such right during the year; and at no time during the year was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests or short positions 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		Short 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	Number of shares held	Percentage of Shareholding in the Company
ASM International N.V. *(Note 1)*	Interest of a controlled corporation	160,003,000	39.94%	–	–	–	–
ASM Pacific Holding B.V.	Beneficial owner	160,003,000	39.94%	–	–	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	55,089,620	13.75%	–	–	–	–
The Capital Group Companies, Inc *(Note 2)*	Interest of controlled corporations	31,780,500	7.93%	–	–	–	–
Genesis Asset Managers, LLP	Investment manager	28,370,964	7.08%	–	–	–	–
JPMorgan Chase & Co.	*(Note 3)*	22,349,305	5.58%	7,377,473	1.84%	14,598,428	3.64%

Notes:

1. ASM International N.V. is deemed interested in 160,003,000 Shares, through the Shares held by its wholly owned subsidiary, ASM Pacific Holding B.V..

2. The Capital Group Companies, Inc. is deemed interested in 31,780,500 Shares, comprised the Shares held by two wholly-owned subsidiaries, namely Capital Research and Management Company and Capital Group International, Inc. (which is deemed interested in the Company through the Shares held by Capital Guardian Trust Company, Capital International, Inc., Capital International Limited and Capital International Sarl, each a wholly owned subsidiary of Capital Group International, Inc.).

3. The interests held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)	Number of shares (Lending pool)
Beneficial owner	7,748,077	7,377,473	–
Investment manager	2,800	–	–
Custodian corporation/approved lending agent	14,598,428	–	14,598,428

Save as disclosed above, as at 31 December 2013, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person who had any interests or short positions in the shares or underlying shares of the Company.

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

The Independent Non-executive Directors of the Company confirmed that the connected transactions have been entered into by the Group in the ordinary and usual course of business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, no contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No Director of the Company has a service contract with any company in the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the management with reference to the employees' merit, qualifications and competence.

The emoluments of the Directors and the senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company currently has an Employee Share Incentive Scheme as an incentive to Directors and eligible employees, details of which are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the five largest customers of the Group were less than 30% of the Group's turnover for the year under review.

The aggregate purchases attributable to the five largest suppliers of the Group were less than 30% of the Group's purchases for the year under review.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$392,000.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of the independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Lee Wai Kwong
DIRECTOR
26 February 2014

CORPORATE GOVERNANCE REPORT

The Group strives to attain and maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. In addition, the Group is also committed to continuously improving its corporate governance practices.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31 December 2013.

The manner in which the principles and code provisions in the CG Code are applied and implemented are explained as follows:–

THE BOARD

Board composition

As at 31 December 2013, the Company has ten directors, one of whom is female. The majority of Board members are non-executive directors. They bring to the Board a wide range of professional experience in areas of business, financial, legal, technical and industrial, which contribute to the effective direction of the Group. Members of the Board comprise nationals from Hong Kong, Singapore and the Netherlands. The Board considers its current composition to have achieved good diversity in terms of gender, cultural, educational background and professional experience.

The Board of the Company comprises the following directors during the year ended 31 December 2013:

Executive Directors

Arthur H. del Prado (Chairmen of the Board and Nomination Committee, Member of Remuneration Committee)
Lo Tsan Yin, Peter* (Vice Chairman of the Board)
Lee Wai Kwong (Chief Executive Officer)
Chow Chuen, James (Chief Operating Officer)
Robin Gerard Ng Cher Tat (Chief Financial Officer)

Non-Executive Directors

Charles Dean del Prado (Member of Remuneration Committee and Nomination Committee)
Petrus Antonius Maria van Bommel (Member of Audit Committee)

Independent Non-Executive Directors

Orasa Livasiri (Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee)
Lok Kam Chong, John (Chairman of Audit Committee, Member of Remuneration Committee and Nomination Committee)
Lee Shiu Hung, Robert** (Member of Audit Committee and Remuneration Committee and Nomination Committee)
Wong Hon Yee (Member of Nomination Committee)
Tang Koon Hung, Eric*** (Member of Audit Committee and Remuneration Committee)

* Mr. Lo Tsan Yin, Peter retired as Vice Chairman of the Board and executive director with effect from 26 April 2013 and was appointed as Emeritus Vice Chairman during the period from 27 April 2013 to 31 December 2013.

** Mr. Lee Shiu Hung, Robert retired as Independent Non-executive Director and Member of Audit Committee and Remuneration Committee and Nomination Committee with effect from 26 April 2013.

*** Mr. Tang Koon Hung, Eric was appointed as Independent Non-executive Director and Member of Audit Committee and Remuneration Committee with effect from 26 April 2013.

THE BOARD (Continued)

Board composition (Continued)

Mr. Charles Dean del Prado is the son of Mr. Arthur H. del Prado. This aside, none of the members of the Board is related to one another.

During the year ended 31 December 2013, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. Currently, there are two such directors on the Board and they are also members of the Board's Audit Committee. The Company has complied with the Listing Rules requirement of independent non-executive directors representing at least one-third of the Board.

The Company has received written annual confirmation from each independent non-executive director of his or her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties with its written terms of reference as set out below. It may delegate the responsibilities to a committee or committees, which shall comply with the following terms of reference with regard to such duties.

(a) To provide independent, effective leadership to supervise the management of the Company's business and affairs to grow value responsibly, in a profitable and sustainable manner, and in the best interests of its shareholders.

(b) To develop and review the Company's policies and practices on corporate governance.

(c) To review and monitor the training and continuous professional development of directors and senior management.

(d) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

(e) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.

(f) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

(g) To appoint any other committees that the Board decides are needed and delegate to those committees any appropriate powers of the Board.

(h) To retain, oversee, compensate and terminate independent advisors to assist the Board in its activities.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

THE BOARD (Continued)

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The position of the Chairman is held by Mr. Arthur H. del Prado while the position of Chief Executive Officer is held by Mr. Lee Wai Kwong during the year ended 31 December 2013. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer, supported by the executive directors, is responsible for managing the Group's business, including implementation of objectives, policies and major strategies and initiatives adopted by the Board.

Appointment and re-election of directors

In accordance with the Company's Articles of Association ("Articles"), each Director elected by the Company at general meetings shall be elected for a term of not more than three years until the conclusion of the third annual general meeting following his or her appointment. The Directors whose term has expired are eligible for re-election at general meetings.

Mr. Arthur H. del Prado, Mr. Lee Wai Kwong, Mr. Chow Chuen, James and Mr. Robin Gerard Ng Cher Tat shall retire from office as Directors in accordance with Articles 113 and 114 of the Company's Articles and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Nomination Committee

The Nomination Committee comprises five members as at 31 December 2013. Mr. Arthur H. del Prado is the chairman with three other members are independent non-executive directors namely, Miss Orasa Livasiri, Mr. Lok Kam Chong, John and Mr. Wong Hon Yee and another member is a non-executive director, Mr. Charles Dean del Prado. Mr. Lee Shiu Hung, Robert was also a member of the Committee until 26 April 2013.

The role of the Nomination Committee is to assist the Board of Directors in: (i) identifying individuals qualified to become Board members and recommending that the Board select a group of director nominees for the next annual general meeting; (ii) ensuring that the Audit Committee, Remuneration Committee and Nomination Committees of the Board shall have the benefit of qualified and experienced independent non-executive directors.

THE BOARD (Continued)

Nomination Committee (Continued)

The major duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

- To identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

- To assess the independence of independent non-executive directors.

- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the Chief Executive Officer, including making recommendations on the composition of the Board generally and the balance between executive and non-executive directors appointed to the Board.

- To recommend directors who are retiring to be put forward for re-election.

The Nomination Committee held one meeting during the year ended 31 December 2013 and the attendance record is set out under "Directors' attendance records" on page 47.

Induction and continuing development for directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has proper understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors.

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2013 to the Company.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

THE BOARD (Continued)

Induction and continuing development for directors (Continued)

The individual training record of each Director received for the year ended 31 December 2013 is summarized as below:

Participation in Continuous Professional Development Programme in 2013

Directors	Reading Regulatory Updates	Attending briefings/seminars/ conferences relevant to the business	Attending training/briefing on regulatory development, directors' duties or other relevant topics
Executive Directors			
Arthur H. del Prado		√	√
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			
Lok Kam Chong, John	√	√	√
Orasa Livasiri	√		√
Wong Hon Yee	√	√	√
Tang Koon Hung, Eric	√	√	√

Board meetings

Board practices and conduct of meetings

Notices of regular Board meetings are served on all directors at least 14 days before the meetings while reasonable notice is generally given for other board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all directors in a timely manner before each Board or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings, Audit Committee meetings and Nomination Committee meetings are kept by the Company Secretary while minutes of Board meetings relating to the Employee Share Incentive Scheme and Remuneration Committee meetings are kept by the secretary of the Chief Executive Officer. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

THE BOARD (Continued)

Board meetings (Continued)

Board practices and conduct of meetings (Continued)

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Directors' attendance records

Nine Board meetings were held during the year.

The individual attendance (either in person or through other electronic means of communication) record of each director at the meetings of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the 2013 Annual General Meeting, during the year ended 31 December 2013 is set out below:

Directors		Attendance/Number of Meetings held during the tenure of directorship				
		Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	2013 Annual General Meeting
Executive Directors						
Arthur H. del Prado	(Chairmen of the Board and Nomination Committee)	9/9	N/A	1/1	2/2	1/1
Lo Tsan Yin, Peter	(Vice Chairman of the Board) (retired on 26 April 2013)	3/3	N/A	N/A	N/A	1/1
Lee Wai Kwong		9/9	N/A	N/A	N/A	1/1
Chow Chuen, James		8/9	N/A	N/A	N/A	1/1
Robin Gerard Ng Cher Tat		9/9	N/A	N/A	N/A	1/1
Non-executive Directors						
Charles Dean del Prado		9/9	N/A	1/1	2/2	1/1
Petrus Antonius Maria van Bommel		9/9	4/4	N/A	N/A	1/1
Independent Non-executive Directors						
Lok Kam Chong, John	(Chairman of Audit Committee)	9/9	4/4	1/1	2/2	1/1
Lee Shiu Hung, Robert	(retired on 26 April 2013)	3/3	2/2	1/1	1/1	0/0
Orasa Livasiri	(Chairman of Remuneration Committee)	7/9	4/4	0/1	2/2	1/1
Wong Hon Yee		9/9	N/A	1/1	N/A	1/1
Tang Koon Hung, Eric	(appointed on 26 April 2013)	6/6	2/2	N/A	1/1	0/0

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

THE BOARD (Continued)

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all directors and they have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the "Employees Written Guidelines") who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Company Secretary

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. She advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affair. She was appointed by the Board in 2006. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

During the year, the company secretary complied with Rule 3.29 of the Listing Rules and has taken more than 15 hours of relevant professional training.

DELEGATION OF MANAGEMENT FUNCTIONS

The Company has formalized and adopted the written terms on the division of functions reserved to the Board and delegated to the management.

The Board reserves for its decisions all major matters of the Company, including: objectives and overall strategies of the Company; annual budgets and financial matters; internal control and risk management systems; equity related transactions such as issue of shares/options, repurchase of shares, dividend, raising of capital loan; determination of major business strategy; merger and acquisition; disposal of business unit; major investment; annual financial budget in turnover, profitability and capital expenditure; review and approval of financial performance and announcement; and matters as required by laws and regulations.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

DELEGATION OF MANAGEMENT FUNCTIONS (Continued)

The Management provides to all members of the Board monthly performance updates giving information on the Group's latest financial performance and financial position, the status of the Group's order book and the performance of individual operating segments and other relevant information. Directors can therefore have a balanced and understandable assessment of the Group's performance, position and prospects throughout the year.

During the year ended 31 December 2013, the Board has three committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the website of the Company (www.asmpacific.com) and Hong Kong Stock Exchange (www.hkex.com.hk) and are available to shareholders upon request.

The Board committees are provided with sufficient resources to discharge their duties.

REMUNERATION OF DIRECTORS

The Company has established a formal and transparent procedure for formulating policies on remuneration of the executive directors of the Company. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2013 are set out on page 97 in note 15 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee has five members as at 31 December 2013. Miss Orasa Livasiri, independent non-executive director, is the Chairman with one executive director, Mr. Arthur H. del Prado, one non-executive director, Mr. Charles Dean del Prado and two independent non-executive directors, Mr. Lok Kam Chong, John and Mr. Tang Koon Hung, Eric. Mr. Lee Shiu Hung, Robert was also a member of the Committee until 26 April 2013.

The primary functions of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has adopted the model that it determines, with delegated responsibility, the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee will also review and approve performance-based remuneration by reference to corporate goals and objectives.

REMUNERATION OF DIRECTORS (Continued)

Remuneration Committee (Continued)

The main duties of Remuneration Committee are as follow:

- On an annual basis, to review and approve the specific remuneration of the Chief Executive Officer including but not limited to basic salary, performance based discretionary bonus and bonus shares allocation.

- On an annual basis, to review and approve the recommendations made by the Chief Executive Officer for the remuneration of other executive directors and senior management, which includes their basic salary, performance based discretionary bonus and bonus share allocation.

- To review and approve compensation payable to the executive directors and senior management for any loss of termination of office or appointment, to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

- To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct, to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

- To make recommendations to the Board on the remuneration of non-executive directors.

- To consider salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the ASMPT group.

The Remuneration Committee held two meetings during the year ended 31 December 2013 and the attendance records are set out under "Directors' attendance records" on page 47.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company and the remuneration packages of the executive directors for the year under review.

The Remuneration Committee has also consulted the Chairman and/or the Chief Executive Officer of the Company about their recommendations on remuneration policy and packages of the executive directors.

ACCOUNTABILITY AND AUDIT

Directors' responsibilities for financial reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

ACCOUNTABILITY AND AUDIT (Continued)

Internal controls

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group.

The Group Internal Audit Department plays a major role, independent of the Company's management, in providing objective assurance and consulting services to the Company by bringing a disciplined systematic approach to evaluate and improve the effectiveness and efficiency of risk management, internal control and governance processes and the integrity of the operations. The Department is accountable to the Audit Committee of the Company and has unrestricted access to information that allows it to perform its functions. On a regular basis, it conducts audits on financial, operational and compliance controls, and effectiveness of risk management functions of all business and functional units as well as subsidiaries. Management is responsible for ensuring that control deficiencies highlighted in internal audits are rectified within a reasonable period. The Department produces an annual internal audit plan derived from risk assessment for the Audit Committee's review. The Group Internal Audit Manager reports to the Audit Committee his audit findings and his opinions on the system of internal controls. The Committee was satisfied with the existing controls.

The Company has established a whistleblowing procedure and system for employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including two independent non-executive directors who possess the appropriate professional qualifications or accounting or related financial management expertise) and one Non-executive director as at 31 December 2013. Mr. Lok Kam Chong, John, independent non-executive director, is the chairman of the committee. Other members are two independent non-executive directors, Miss Orasa Livasiri and Mr. Tang Koon Hung, Eric and one non-executive director, Mr. Petrus Antonius Maria van Bommel. Mr. Lee Shiu Hung, Robert was also a member of the Committee until 26 April 2013. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal auditor or external auditor before submission to the Board.

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget, and risk management system and associated procedures.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

In 2013, a total of four meetings of Audit Committee were convened. The attendance record of the Audit Committee's members is shown on page 47. The following is a summary of the tasks completed by the Audit Committee during 2013:

- reviewed the Group's financial reports for the year ended 31 December 2012, for the six months ended 30 June 2013, and for the quarters ended 31 March 2013 and 30 September 2013;
- reviewed the financial reporting system;
- reviewed the effectiveness of internal controls system;
- reviewed risk management system;
- reviewed work plan for 2013 audit and fees budget of the auditor; and
- made recommendations on the re-appointment of the auditor.

There is no material uncertainty relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Auditor's remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 56.

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, in respect of audit services amounted to HK$9,618,000, assurance related services amounted to HK$993,000 and non-audit services amounted to HK$1,198,000 which were reviewed and approved by the Audit Committee.

The Audit Committee recommends the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor at the forthcoming annual general meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy to set out the Company's processes to provide shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

All announcements and notices are published on the Stock Exchange's website as well as the Company's own website. In addition, to promote greater understanding and dialogue with the investment community, the Company holds conference calls or investor luncheon meetings with the investment community in connection with the Company's annual, interim and quarterly results. During these conference calls or investor luncheon meetings, the Company's Chief Executive Officer or his delegate will make presentations on the Group's performance to the investment community. The conference calls are also broadcast live via webcast. Apart from this, designated senior executives maintain regular dialogue with institutional investors to keep them abreast of the Group's development, subject to compliance with applicable laws and regulations. Including the four results announcements, over 420 meetings with analysts and fund managers were held in 2013.

Any question regarding the shareholders' communication policy is directed to the Company's Chief Executive Officer.

Shareholders' Meeting

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the respective chairman of the Remuneration Committee, the Audit Committee and the Nomination Committee or, in their absence, other members of the respective committees and independent non-executive directors are available to answer questions at the shareholders' meetings. The Company's external auditor, Messrs. Deloitte Touche Tohmatsu, attends the annual general meeting and is available to answer questions relating to the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The most recent shareholders' meeting was the 2013 annual general meeting held on 26 April 2013 at Room 3-5, United Conference Centre, 10/F United Centre, 95 Queensway, Hong Kong. All the resolutions proposed at that meeting were approved by the shareholders by poll voting. Details of poll results are available under the investor relations section of the Company's website at www.asmpacific.com.

The next annual general meeting will be held on Friday, 25 April 2014, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (Continued)

Shareholder Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of the retiring directors.

All votes of the shareholders at the shareholders' meeting are taken by poll. Poll results are posted on the websites of the Company and of the Stock Exchange following the shareholders' meeting.

Procedure for shareholders to convene an extraordinary general meeting

Pursuant to the Articles of Association of the Company, shareholder(s) holding not less than one-tenth in amount of the issued capital of the Company (hereinafter refer to "the requisitionists") may request for an extraordinary general meeting of the Company to be convened. The requisition must be in writing and signed by the requisitionists, stating the objective of the meeting, and be deposited at the Company's registered office at Cayman Islands or its principal place of business in Hong Kong at 12/F, Watson Centre, 16–22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

If the Directors do not within 21 days from the date of the requisition proceed duly to convene a meeting, the requisitionists or any of them representing more than one-half of total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said dates.

Procedures for putting forward proposals at shareholders' meetings

Shareholders who wish to put forward a proposal at an extraordinary general meeting should follow the procedures set out in "Procedures for shareholders to convene an extraordinary general meeting" above.

Pursuant to Article 115 of the Company's Articles, no person other than a Director retiring at a meeting shall, unless recommended by the Directors, be appointed a Director at a general meeting unless notice in writing shall have been given to the Company of the intention of any member qualified to vote at the meeting to propose any person other than a retiring Director for election to the office of Director, with notice executed by that person of his willingness to be appointed, provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for giving such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

Details of the procedures for shareholders to propose candidates for election to the Board of Directors are available on the Company's website.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (Continued)

Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Investor Relations Department, which contact details are as follow:

ASM Pacific Technology Ltd.
12/F, Watson Centre,
16-22 Kung Yip Street,
Kwai Chung, Hong Kong
Attn: Investor Relationship Department

Telephone: 852-2424-2021; 852-2619-2529
Fax: 852-2481-3367
Email: investor.relation@asmpt.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Articles of Association of the Company

There was no change in the Articles of Association of the Company for the year ended 31 December 2013.

On behalf of the Board
Lee Wai Kwong
DIRECTOR
26 February 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF ASM PACIFIC TECHNOLOGY LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 131, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	7	**10,841,166**	10,460,558
Cost of sales		**(7,661,808)**	(7,298,182)
Gross profit		**3,179,358**	3,162,376
Other income		**31,774**	16,711
Selling and distribution expenses		**(898,478)**	(937,409)
General and administrative expenses		**(560,845)**	(451,618)
Research and development expenses	9	**(948,295)**	(905,115)
Other gains and losses	10	**(7,420)**	(7,493)
Restructuring costs	11	**(104,521)**	–
Finance costs	12	**(18,563)**	(8,774)
Profit before taxation		**673,010**	868,678
Income tax expense	13	**(114,421)**	(179,684)
Profit for the year, attributable to owners of the Company	14	**558,589**	688,994
Other comprehensive income (expense)			
– exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss		**93,807**	42,617
– remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	33	**12,108**	(40,160)
Other comprehensive income for the year		**105,915**	2,457
Total comprehensive income for the year, attributable to owners of the Company		**664,504**	691,451
Earnings per share	18		
– Basic		**HK$1.40**	HK$1.73
– Diluted		**HK$1.40**	HK$1.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**2,000,800**	2,105,615
Investment property	*20*	**70,215**	69,501
Intangible assets	*21*	**9,650**	15,213
Prepaid lease payments	*22*	**26,983**	27,794
Pledged bank deposit	*23*	**213,866**	204,520
Deposits paid for acquisition of property, plant and equipment		**61,490**	36,920
Rental deposits paid	*25*	**16,719**	13,549
Deferred tax assets	*34*	**242,427**	171,634
Other non-current assets		**79,459**	53,397
		2,721,609	2,698,143
Current assets			
Inventories	*24*	**3,236,119**	2,876,375
Trade and other receivables	*25*	**3,115,798**	3,155,458
Prepaid lease payments	*22*	**974**	997
Derivative financial instruments	*26*	**4,225**	1,479
Income tax recoverable		**65,152**	4,525
Bank balances and cash	*27*	**1,596,592**	1,487,003
		8,018,860	7,525,837
Current liabilities			
Trade and other payables	*28*	**2,151,810**	2,091,605
Provisions	*29*	**348,901**	320,638
Income tax payable		**251,781**	244,423
Bank borrowings	*30*	**550,778**	695,273
		3,303,270	3,351,939
Net current assets		**4,715,590**	4,173,898
		7,437,199	6,872,041

	Notes	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	31	**40,063**	39,925
Dividend reserve		**200,317**	119,773
Other reserves		**6,840,885**	6,396,976
Equity attributable to owners of the Company		**7,081,265**	6,556,674
Non-current liabilities			
Retirement benefit obligations	33	**83,133**	91,410
Provisions	29	**85,224**	54,181
Bank borrowings	30	**145,384**	129,175
Deferred tax liabilities	34	**5,783**	8,811
Other liabilities and accruals	28	**36,410**	31,790
		355,934	315,367
		7,437,199	6,872,041

The consolidated financial statements on pages 57 to 131 were approved and authorized for issue by the Board of Directors on 26 February 2014 and are signed on its behalf by:

Arthur H. del Prado
DIRECTOR

Lee Wai Kwong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000 *(Note 32)*	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 2012	39,764	665,329	–	–	155	72,979	(81,340)	5,250,798	318,110	6,265,795
Profit for the year	–	–	–	–	–	–	–	688,994	–	688,994
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	42,617	–	–	42,617
Remeasurement of defined benefit retirement plans, net of tax *(note 33)*, which will not be reclassified to profit or loss	–	–	–	–	–	–	–	(40,160)	–	(40,160)
Total comprehensive income for the year	–	–	–	–	–	–	42,617	648,834	–	691,451
Sub-total	39,764	665,329	–	–	155	72,979	(38,723)	5,899,632	318,110	6,957,246
Recognition of equity-settled share-based payments	–	–	197,132	–	–	–	–	–	–	197,132
Purchase of shares under the Employee Shares Incentive Scheme *(as defined in note 32)*	–	–	–	(37,035)	–	–	–	–	–	(37,035)
Shares vested under the Employee Share Incentive Scheme	–	–	(37,035)	37,035	–	–	–	–	–	–
Shares issued under the Employee Share Incentive Scheme	161	159,936	(160,097)	–	–	–	–	–	–	–
2011 final dividend paid	–	–	–	–	–	–	–	–	(318,110)	(318,110)
2012 interim dividend paid	–	–	–	–	–	–	–	(242,559)	–	(242,559)
2012 final dividend proposed	–	–	–	–	–	–	–	(119,773)	119,773	–
At 31 December 2012 and 1 January 2013	39,925	825,265	–	–	155	72,979	(38,723)	5,537,300	119,773	6,556,674
Profit for the year	–	–	–	–	–	–	–	558,589	–	558,589
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	93,807	–	–	93,807
Remeasurement of defined benefit retirement plans, net of tax *(note 33)*, which will not be reclassified to profit or loss	–	–	–	–	–	–	–	12,108	–	12,108
Total comprehensive income for the year	–	–	–	–	–	–	93,807	570,697	–	664,504
Sub-total	39,925	825,265	–	–	155	72,979	55,084	6,107,997	119,773	7,221,178
Recognition of equity-settled share-based payments	–	–	142,418	–	–	–	–	–	–	142,418
Purchase of shares under the Employee Shares Incentive Scheme	–	–	–	(22,822)	–	–	–	–	–	(22,822)
Shares vested under the Employee Share Incentive Scheme	–	–	(22,822)	22,822	–	–	–	–	–	–
Shares issued under the Employee Share Incentive Scheme	138	119,458	(119,596)	–	–	–	–	–	–	–
2012 final dividend paid	–	–	–	–	–	–	–	–	(119,773)	(119,773)
2013 interim dividend paid	–	–	–	–	–	–	–	(139,736)	–	(139,736)
2013 final dividend proposed	–	–	–	–	–	–	–	(200,317)	200,317	–
At 31 December 2013	40,063	944,723	–	–	155	72,979	55,084	5,767,944	200,317	7,081,265

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Profit before taxation	**673,010**	868,678
Adjustments for:		
Depreciation	**413,289**	373,842
Release of prepaid lease payments	**974**	997
Amortization of intangible assets	**10,157**	13,681
Release of land license fee	**2,970**	512
Loss (gain) on disposal/write-off of property, plant and equipment	**11,160**	(576)
Gain on fair value change of derivative financial instruments	**(1,818)**	(18,369)
Warranty provision expenses	**275,971**	204,301
Restructuring provision costs	**104,521**	–
Share-based payments under the Employee Share Incentive Scheme	**142,418**	197,132
Interest income	**(3,273)**	(9,766)
Interest expense	**18,563**	8,774
Effect of foreign exchange rate changes on inter-company balances	**14,649**	18,377
Operating cash flows before movements in working capital	**1,662,591**	1,657,583
Increase in inventories	**(324,704)**	(316,053)
Decrease (increase) in trade and other receivables	**77,948**	(197,786)
Decrease (increase) in other non-current assets	**376**	(733)
Increase in trade and other payables	**107,071**	91,570
Increase (decrease) in other liabilities and accruals	**3,167**	(24,255)
Decrease in provisions	**(2,652)**	(5,747)
Utilization of warranty provision	**(273,837)**	(206,057)
Payment for restructuring provision	**(57,067)**	–
Increase in retirement benefit obligations	**5,683**	4,438
Purchase of shares under the Employee Share Incentive Scheme	**(22,822)**	(37,035)
Cash generated from operations	**1,175,754**	965,925
Income taxes paid	**(261,441)**	(492,774)
Income taxes refunded	**9,780**	3,119
Net cash from operating activities	**924,093**	476,270

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*
For the year ended 31 December 2013

	2013 **HK$'000**	2012 HK$'000
Investing activities		
Interest received	**3,273**	9,766
Proceeds on disposal of property, plant and equipment	**9,027**	6,268
Purchase of property, plant and equipment	**(346,718)**	(459,426)
Deposits paid for acquisition of property, plant and equipment	**(61,490)**	(36,920)
Prepayment for land license fee	**(31,013)**	(53,836)
Additions of intangible assets	**(3,898)**	(17,316)
Additions to investment property	**(53)**	(2,676)
Withdrawal of pledged bank deposits	**–**	2,051
Net cash used in investing activities	**(430,872)**	(552,089)
Financing activities		
Bank borrowings raised	**519,731**	887,901
Repayment of bank borrowings	**(648,389)**	(393,966)
Dividends paid	**(259,509)**	(560,669)
Interest paid	**(18,413)**	(12,232)
Net cash used in financing activities	**(406,580)**	(78,966)
Net increase (decrease) in cash and cash equivalents	**86,641**	(154,785)
Cash and cash equivalents at beginning of the year	**1,487,003**	1,627,662
Effect of foreign exchange rate changes	**22,948**	14,126
Cash and cash equivalents at end of the year, represented by bank balances and cash	**1,596,592**	1,487,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are engaged in the design, manufacture and marketing of machines, tools and materials used in semiconductor and electronic assembly industries. The principal subsidiaries and their activities are set out in note 41.

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

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad:

- the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements; and

- disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 6 and 20 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKAS 19 (as revised in 2011) "Employee Benefits"

In the current year, the Group has applied HKAS 19 "Employee Benefits" (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits.

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011).

HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures, which are set out in note 33. However, the application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognized in profit or loss and other comprehensive income in prior years.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[3]
HK(IFRIC) – Int 21	Levies[2]

1 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 July 2014.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognized financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors do not anticipate that the adoption of HKFRS 9 in the future will have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 19 "Defined Benefit Plans: Employee Contributions"

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarized below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2013

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010–2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The *Annual Improvements to HKFRSs 2011–2013 Cycle* include a number of amendments to various HKFRSs, which are summarized below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011–2013 Cycle* will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HK(IFRIC) – Int 21 "Levies"

HK(IFRIC) – Int 21 "Levies" addresses the issue of when to recognize a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK(IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations issued but not yet effective will have no material effect on amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

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

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the transfer does not change the carrying amount of the property transferred and it does not change the cost of that property for measurement or disclosure purpose.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortization of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment property over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of back-end equipment (formerly known as assembly and packaging equipment) and lead frame is calculated using the first-in, first-out method. Cost of surface mount technology equipment is calculated using the weighted average method.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is 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 of the time value of money is material).

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

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

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

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

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

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

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group's net investment outstanding in respect of the leases.

Rentals income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's non-derivative financial assets are classified as loans and receivables.

The classification of non-derivative financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at financial asset's original effective interest rate.

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Derivative financial instruments

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

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Share-based payment arrangements

Equity-settled share-based payment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Equity-settled share-based payment transactions (Continued)

Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognized as an expense.

Awarded shares held under Share Award Scheme granted to members of the management of the Group for their service to the Group

Shares purchased under the Share Award Scheme are initially recognized in equity (shares held for Share Award Scheme) at fair value of consideration paid including the transaction costs at the date of purchase.

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

At the time when the awarded shares are vested, the amounts previously recognized in shares held for Share Award Scheme and the amount recognized in employee share-based compensation reserve are transferred to retained profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Grants related to expense items are recognized in the same period as those expenses are charged to profit or loss and are deducted in the reporting of the related expenses.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

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

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 each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presented the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. As at 31 December 2013, the carrying amount of inventories was HK$3,236,119,000 (2012: HK$2,876,375,000). The management reviews the inventory age listing on a periodic basis to identify slow-moving, obsolete and defective inventories. The management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. The amount of allowance would be changed as a result of changes in current market conditions and technology subsequently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of trade receivables

On assessing any impairment of the Group's trade receivables, the management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. Impairment on trade receivables is made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 31 December 2013, the carrying amount of trade receivables was HK$2,475,927,000 (2012: HK$2,269,154,000).

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected rate of compensation increase and pension progression and mortality rates. The discount rates assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended 31 December 2013, remeasurement gains before tax effect amounting to HK$17,962,000 (2012: remeasurement losses before tax effect HK$59,594,000) are recognized directly in equity in the period in which they occur (see note 33).

Provisions

Significant estimates are involved in the determination of provision related to warranty costs, restructuring expenses and legal proceedings (see note 35). As a global operating business, the Group is exposed to numerous legal risks, particularly in the areas of product liability and tax assessments. Pending and future proceedings often involve complex legal issues and are subject to substantial uncertainties. The outcome of such proceedings cannot be predicted with certainty. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such a proceeding will result an outflow of resources and whether the amount of the obligation can be reliably estimated. As at 31 December 2013, the Group recognized warranty provisions and restructuring provisions amounting to HK$376,673,000 (2012: HK$362,349,000) and HK$47,454,000 (2012: nil), respectively (see note 29).

Income taxes

The Group operates and is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There were certain trading transactions for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Income taxes (Continued)

The Group has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each year-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future development are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a reversal of deferred tax assets may arise which would be recognized in profit or loss for the period in which such reversal takes place. As at 31 December 2013, the deferred tax assets recognized is HK$242,427,000 (2012: HK$171,634,000) (see note 34).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,401,554**	4,225,091
Derivative financial instruments	**4,225**	1,479
Financial liabilities		
Amortized cost	**2,379,038**	2,362,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

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

Market risk

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

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 37% and 45% of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the group entities making the sales and the purchases.

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

		Assets		Liabilities	
	Currency	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
US dollars *(Note)*	US$	1,145,289	1,017,823	508,596	690,730
Euro	EUR	408,627	435,470	28,466	31,094
Renminbi	RMB	173,665	230,026	324,465	245,599
Singapore dollars	S$	12,675	17,513	119,351	94,450
Japanese Yen	JPY	3,258	8,403	114,068	108,307
Others		21,805	46,608	162,246	134,400

Note: Included in the balances are US dollars financial assets and financial liabilities of HK$437,281,000 and HK$26,042,000 (2012: HK$370,555,000 and HK$29,376,000) respectively where Hong Kong dollars is not the functional currency of the relevant group entities.

The majority of the Group's foreign currency financial assets and financial liabilities are denominated in US dollars. The US dollars are linked up with Hong Kong dollars where Hong Kong dollars is the functional currency of the relevant group entities. For other group entities having significant US dollars financial assets and financial liabilities where Hong Kong dollars is not the functional currency, they have exposure to the foreign currency exchange risk. The management conducts periodic review of the exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed currency risk related to Euro, US dollar, Renminbi, Japanese Yen and Singapore dollar.

The Group is also exposed to currency risk on its outstanding foreign currency forward contracts. If forward rates of US$ appreciate against Euro by 5%, while all other variables are held constant, the profit for the year would decrease by HK$5,376,000 (2012: HK$7,087,000). For a 5% depreciation of the US$ against Euro, there would be an equal and opposite impact on the profit of the Group.

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

	Euro impact (i)		US dollars impact (ii)		Renminbi impact (iii)		Japanese Yen impact (iv)		Singapore dollars impact (v)	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
(Decrease) increase in post tax profit	**(15,216)**	(15,713)	**(14,040)**	(13,111)	**5,586**	(179)	**5,206**	4,134	**4,984**	3,173

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit (see note 23). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits/balances and bank borrowings (set out in notes 27 and 30 for details). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to interest rates for variable-rate instruments at the end of the reporting period. The analyzes are prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 5 basis points increase is used for bank deposits and 50 basis points increase and decrease for bank borrowings when reporting interest rate risk internally to key management personnel. If interest rates had been 5 basis points and 50 basis points for bank deposits and bank borrowings higher or 50 basis points for bank borrowings lower and all other variables were held constant, post-tax profit for the year ended 31 December 2013 would decrease/increase by HK$2,695,000 (2012: HK$3,170,000) and HK$2,942,000 (2012: HK$3,500,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2013 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

At 31 December 2013

	Weighted average effective interest rate* %	On demand HK$'000	Within one year HK$'000	More than one year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	–	538,390	1,126,115	–	1,664,505	1,664,505
Other non-current liabilities	–	–	–	18,371	18,371	18,371
Bank borrowings	1.95	421,548	134,920	147,597	704,065	696,162
		959,938	1,261,035	165,968	2,386,941	2,379,038

At 31 December 2012

	Weighted average effective interest rate* %	On demand HK$'000	Within one year HK$'000	More than one year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	–	389,781	1,134,107	–	1,523,888	1,523,888
Other non-current liabilities	–	–	–	14,625	14,625	14,625
Bank borrowings	1.89	630,686	69,096	132,864	832,646	824,448
		1,020,467	1,203,203	147,489	2,371,159	2,362,961

* Weighted average effective interest rate is determined based on the variable interest rate of outstanding bank borrowings at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2013, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$421,548,000 (2012: HK$630,686,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that bank borrowings amounting to HK$285,799,000, HK$71,780,000 and HK$63,969,000 (2012: HK$383,272,000, HK$141,620,000 and HK$105,794,000) will be fully repaid within approximately 1 month, 12 months and 16 months (2012: approximately 1 month, 24 months and 28 months) after the reporting date, respectively, in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$424,287,000 (2012: HK$638,613,000).

Fair value measurement of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's derivative instruments are measured at fair value at the end of each reporting period.

The Group's derivative instruments are foreign currency forward contracts with fair value of HK$4,225,000 (2012: HK$1,479,000) at 31 December 2013. The classification of the measure of the derivative instruments at 31 December 2013 and 2012 using the fair value hierarchy is Level 2. The fair value of the derivative instruments was determined by the discounted cash flow analysis in which future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and 2 in both years.

The directors consider that the carrying amounts of the other financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

7. TURNOVER

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

8. SEGMENT INFORMATION

The Group has three (2012: three) operating segments: development, production and sales of back-end equipment, surface mount technology equipment and lead frame. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Chief Executive Officer, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2012: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment revenues and results

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

	2013 HK$'000	2012 HK$'000
Segment revenue from external customers		
Back-end equipment	**5,200,054**	5,024,111
Surface mount technology equipment	**3,917,089**	3,789,461
Lead frame	**1,724,023**	1,646,986
	10,841,166	10,460,558
Segment profit		
Back-end equipment	**541,310**	485,176
Surface mount technology equipment	**210,802**	370,794
Lead frame	**134,910**	87,456
	887,022	943,426
Interest income	**3,273**	9,766
Finance costs	**(18,563)**	(8,774)
Unallocated other (expenses) income	**(3,176)**	1,623
Unallocated net foreign exchange gain (loss)	**6,054**	(8,069)
Unallocated general and administrative expenses	**(97,079)**	(69,294)
Restructuring costs	**(104,521)**	–
Profit before taxation	**673,010**	868,678

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other (expenses) income, unallocated net foreign exchange gain (loss), unallocated general and administrative expenses and restructuring costs. This is the measure reported to the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2013

8. SEGMENT INFORMATION (Continued)
Other segment information

2013

	Back-end equipment HK$'000	Surface mount technology equipment HK$'000	Lead frame HK$'000	Unallocated general and administrative expenditure HK$'000	Consolidated HK$'000
Amounts regularly provided to chief operating decision maker:					
Additions of property, plant and equipment	179,585	94,518	39,769	–	313,872
Additions to investment property	53	–	–	–	53
Additions of intangible assets	–	3,898	–	–	3,898
Amounts included in the measure of segment profit:					
Amortization for intangible assets	–	10,157	–	–	10,157
Depreciation of property, plant and equipment	263,745	66,781	81,249	–	411,775
Depreciation of investment property	1,514	–	–	–	1,514
Loss on disposal/write-off of property, plant and equipment	10,989	99	72	–	11,160
Release of prepaid lease payments	622	–	352	–	974
Research and development expenses	534,700	407,054	6,541	–	948,295
Share-based payments	104,746	8,223	10,662	18,787	142,418

2012

	Back-end equipment HK$'000	Surface mount technology equipment HK$'000	Lead frame HK$'000	Unallocated general and administrative expenditure HK$'000	Consolidated HK$'000
Amounts regularly provided to chief operating decision maker:					
Additions of property, plant and equipment	333,458	56,767	77,922	–	468,147
Additions to investment property	2,676	–	–	–	2,676
Additions of intangible assets	–	17,316	–	–	17,316
Amounts included in the measure of segment profit:					
Amortization for intangible assets	–	13,681	–	–	13,681
Depreciation of property, plant and equipment	251,038	47,429	74,260	–	372,727
Depreciation of investment property	1,115	–	–	–	1,115
(Gain) loss on disposal/write-off of property, plant and equipment	(16)	(568)	8	–	(576)
Release of prepaid lease payments	569	–	428	–	997
Research and development expenses	503,974	394,932	6,209	–	905,115
Share-based payments	140,999	10,619	16,248	29,266	197,132

8. SEGMENT INFORMATION (Continued)

Geographical information

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

	Non-current assets	
	2013	2012
	HK$'000	HK$'000
Mainland China	**1,637,805**	1,711,257
Singapore	**227,485**	193,010
Malaysia	**196,668**	227,757
Europe	**150,406**	131,848
– Germany	**145,799**	127,746
– Others	**4,607**	4,102
Hong Kong	**42,506**	49,956
Korea	**4,385**	703
Taiwan	**2,240**	2,529
Japan	**773**	919
Others	**3,048**	4,010
	2,265,316	2,321,989

Note: Non-current assets excluded deferred tax assets and pledged bank deposit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

8. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

The Group's revenue from external customers by location of customers are detailed below:

	Revenue from external customers	
	2013	2012
	HK$'000	HK$'000
Mainland China	**4,669,179**	4,451,562
Europe	**1,490,296**	1,775,886
– Germany	**723,254**	914,704
– Romania	**75,382**	146,390
– Others	**691,660**	714,792
Americas	**1,038,084**	903,598
– United States of America	**801,940**	656,384
– Mexico	**165,618**	171,340
– Others	**70,526**	75,874
Malaysia	**921,032**	933,838
Hong Kong	**686,393**	275,817
Taiwan	**641,683**	634,559
Korea	**415,786**	361,608
Thailand	**360,952**	425,922
Philippines	**292,273**	252,077
Singapore	**159,676**	149,430
Japan	**117,719**	187,286
Others	**48,093**	108,975
	10,841,166	10,460,558

The revenue from individual customers contribute less than 10% of the total sales of the Group of the respective year.

9. RESEARCH AND DEVELOPMENT EXPENSES

Included in research and development expenses are depreciation for property, plant and equipment of HK$28,644,000 (2012: HK$28,539,000), rental of land and buildings under operating leases of HK$23,900,000 (2012: HK$19,654,000) and staff costs of HK$654,886,000 (2012: HK$605,140,000) for the year ended 31 December 2013.

10. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
The losses comprise:		
Net foreign exchange losses	**(11,909)**	(24,540)
(Loss) gain on disposal/write-off of property, plant and equipment	**(11,160)**	576
Gain on fair value change of derivative financial instruments	**17,963**	16,471
Others	**(2,314)**	–
	(7,420)	(7,493)

11. RESTRUCTURING COSTS

Due to the local authorities' redevelopment plans for the Yantian District of Shenzhen, part of the operation of a subsidiary of the Company, Shenzhen ASM Micro Electronic Technology Co., Ltd., is required to move out of its premises located in Yantian District by October 2014. The Group has announced the details of the relocation and compensation plan to the affected employees in October 2013. In connection with this plant relocation, the restructuring costs recorded by the Group amount to HK$104,521,000, which primarily relates to severance payments of HK$74,367,000 and incentive payments and other compensation of HK$24,020,000 to employees for relocation to new premises of the Group.

12. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings wholly repayable within five years	**14,962**	11,622
Others	**3,601**	2,082
Total borrowing costs	**18,563**	13,704
Less: amount capitalized	**–**	(4,930)
	18,563	8,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

13. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**38,859**	37,900
PRC Enterprise Income Tax	**72,304**	64,298
Other jurisdictions	**87,664**	148,105
	198,827	250,303
(Over) underprovision in prior years:		
Hong Kong	**(30)**	(375)
PRC Enterprise Income Tax	**2,086**	315
Other jurisdictions	**(9,750)**	11,532
	(7,694)	11,472
Deferred tax credit *(note 34)*		
Current year	**(76,712)**	(82,091)
	114,421	179,684

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(b) Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% (2012: 25%).

(c) On 12 July 2010, the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate ("PC") to ASM Technology Singapore Pte Ltd. ("ATS"), a principal subsidiary of the Company, to the effect that profits arising from certain new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates 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 ("DEI") to ATS to the effect that profits arising from certain existing products are subject to tax at 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 ("IHA") 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, are 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% (2012: 17%).

13. 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 the assessable profit for the year. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rate was 17.00%. Thus the aggregate tax rate amounts to 32.825% (2012: 32.825%).

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

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

	2013 **HK$'000**	2012 HK$'000
Profit before taxation	**673,010**	868,678
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**111,047**	143,332
Tax effect of expenses not deductible in determining taxable profit	**34,870**	38,034
Tax effect of income not taxable in determining taxable profit	**(9,639)**	(7,506)
Tax effect of tax losses not recognized	**2,857**	20,010
Tax effect of utilization of tax losses/temporary difference previously not recognized	**(44,170)**	(31,761)
Recognition of deferred tax arising from tax losses previously not recognized	**(25,539)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**56,117**	61,968
Effect of tax exemption and concessions under PC, DEI and IHA granted by EDB	**(10,836)**	(32,914)
(Over)underprovision in prior years	**(7,694)**	11,472
Others	**7,408**	(22,951)
Tax charge for the year	**114,421**	179,684

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

The Group continued to receive letters from the Hong Kong Inland Revenue Department during the year ended 31 December 2013 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 or tax adjustments to companies currently subject to Hong Kong Profits Tax. As at 31 December 2013, the Group purchased tax reserve certificates amounting to HK$298,529,000 (2012: HK$234,929,000), as disclosed in note 25.

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 consolidated financial statements and the amounts paid under the tax reserve certificates are fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

14. PROFIT FOR THE YEAR

	2013 **HK$'000**	2012 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Minimum lease payments under operating leases		
– Land and buildings	**187,867**	177,658
– Motor vehicles and others	**9,713**	10,680
	197,580	188,338
Directors' remunerations *(note 15)*	**35,622**	61,280
Salaries, wages, bonus and other benefits	**2,973,590**	2,749,223
Pension costs, excluding directors	**189,118**	164,668
Share-based payments under the Employee Share Incentive Scheme	**119,596**	160,097
Total staff costs	**3,317,926**	3,135,268
Auditor's remuneration	**9,913**	8,820
Depreciation for property, plant and equipment	**411,775**	372,727
Depreciation for investment property	**1,514**	1,115
Amortization for intangible assets (included in cost of sales)	**10,157**	13,681
Release of prepaid lease payments	**974**	997
Release of land license fee	**2,970**	512
	427,390	389,032
Government grants *(Note)*	**(29,041)**	(14,330)
Interest income on bank deposits	**(3,273)**	(9,766)

Note: Government grants for the year ended 31 December 2013 included an amount of HK$17,602,000 which is government subsidy received from local authority in the PRC relating to import of high technology products. Government grants for the year ended 31 December 2012 included an amount of HK$3,754,000 which is government subsidy received from local authority in the PRC relating to toll manufacturing activities in the PRC. The remaining amount mainly included government grants related to product development project under the Innovation Development Scheme of HK$5,303,000 (2012: HK$9,731,000) in Singapore. The amount has been deducted in research and development expenses incurred for both years.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the twelve (2012: eleven) directors and the chief executive were as follows:

Year ended 31 December 2013

	Directors											Director and chief executive	
	Arthur H. del Prado	Charles Dean del Prado	Petrus Antonius Maria van Bommel	Lo Tsan Yin, Peter	Chow Chuen, James	Robin Gerard Ng Cher Tat	Orasa Livasiri	Lee Shiu Hung, Robert	Lok Kam Chong, John	Wong Hon Yee	Tang Koon Hung, Eric	Lee Wai Kwong	Total
	HK$'000	HK$'000	HK$'000	HK$'000 *(Note b)*	HK$'000	HK$'000	HK$'000	HK$'000 *(Note b)*	HK$'000	HK$'000 *(Note c)*	HK$'000 *(Note d)*	HK$'000 *(Note e)*	HK$'000
Fees	450	350	300	–	–	–	450	129	450	304	204	–	2,637
Other emoluments													
Salaries and other benefits	–	–	–	2,024	8,207	3,668	–	–	–	–	–	13,707	27,606
Contributions to retirement benefits schemes	–	–	–	5	323	125	–	–	–	–	–	250	703
Performance related incentive bonus payments *(Note a)*	–	–	–	1,733	1,213	293	–	–	–	–	–	1,437	4,676
Total emoluments	450	350	300	3,762	9,743	4,086	450	129	450	304	204	15,394	35,622

Year ended 31 December 2012

	Directors										Director and chief executive	
	Arthur H. del Prado	Charles Dean del Prado	Petrus Antonius Maria van Bommel	Lo Tsan Yin, Peter	Chow Chuen, James	Robin Gerard Ng Cher Tat	Orasa Livasiri	Lee Shiu Hung, Robert	Lok Kam Chong, John	Wong Hon Yee	Lee Wai Kwong	Total
	HK$'000	HK$'000	HK$'000	HK$'000 *(Note b)*	HK$'000	HK$'000	HK$'000	HK$'000 *(Note b)*	HK$'000	HK$'000 *(Note c)*	HK$'000 *(Note e)*	HK$'000
Fees	450	333	300	–	–	–	438	388	425	–	–	2,334
Other emoluments												
Salaries and other benefits	–	–	–	14,808	11,388	4,657	–	–	–	–	19,279	50,132
Contributions to retirement benefits schemes	–	–	–	14	323	127	–	–	–	–	244	708
Performance related incentive bonus payments *(Note a)*	–	–	–	2,800	2,200	324	–	–	–	–	2,782	8,106
Total emoluments	450	333	300	17,622	13,911	5,108	438	388	425	–	22,305	61,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

(a) The performance related incentive bonus payments are determined with reference to the operating results, individual performance and comparable market statistics in both years.

(b) Retired as directors on 26 April 2013.

(c) Appointed on 27 December 2012.

(d) Appointed on 26 April 2013.

(e) Mr. Lee Wai Kwong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

During the year ended 31 December 2013, 263,200 Awarded Shares were granted to certain executive directors under the Employee Share Incentive Scheme (the "Scheme"). The fair value of these shares purchased during the year amounting to HK$22,822,000 was determined with reference to the cost of purchase from the market including transaction costs, was included in salaries and other benefits above. The market value for these Awarded Shares as at their vesting date was amounted to HK$16,661,000, which was calculated with reference to the closest trading price of the Company's share of HK$63.35 per share. For details regarding the Awarded Shares, please refer to note 32.

During the year ended 31 December 2012, 328,000 Awarded Shares were granted to certain executive directors under the Scheme. The fair value of these shares purchased during the year amounting to HK$37,035,000 was determined with reference to the cost of purchase from the market including transaction costs, was included in salaries and other benefits above. The market value for these Awarded Shares as at their vesting date was amounted to HK$28,782,000, which was calculated with reference to the closest trading price of the Company's share of HK$87.75 per share.

No directors waived any emoluments in both years.

16. EMPLOYEES' EMOLUMENTS

During the year ended 31 December 2013, the five highest paid individuals included two directors, details of whose emoluments are set out in note 15, and Mr. Lo Tsan Yin, Peter, a former director who retired as director on 26 April 2013. During the year ended 31 December 2012, the five highest paid individuals included three directors. The emoluments of Mr. Lo Tsan Yin, Peter and the remaining two individuals (2012: two individuals) were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**18,688**	12,514
Contributions to retirement benefits schemes	**906**	1,062
Performance related incentive bonus payments	**558**	609
	20,152	14,185

For the year ended 31 December 2013, 126,400 shares of the Company were granted and vested to the two relevant highest paid employees and Mr. Lo Tsan Yin, Peter under the Scheme. For the year ended 31 December 2012, 62,000 shares of the Company were issued to the two relevant highest paid employees.

16. EMPLOYEES' EMOLUMENTS (Continued)

At 31 December 2013, the fair value of these shares amounting to HK$10,038,000 (2012: HK$6,175,200) at the grant date was included in salaries and other benefits above.

Their emoluments were within the following bands:

	Number of employees	
	2013	2012
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–

17. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividend recognized as distribution during the year		
Interim dividend paid for 2013 of HK$0.35 (2012: HK$0.61) per share on 399,244,500 (2012: 397,637,100) shares	**139,736**	242,559
Final dividend paid for 2012 of HK$0.30 (2012: final dividend paid for 2011 of HK$0.80) per share on 399,244,500 (2012: 397,637,100) shares	**119,773**	318,110
	259,509	560,669
Dividend proposed after the year end		
Proposed final dividend for 2013 of HK$0.50 (2012: HK$0.30) per share on 400,633,700 (2012: 399,244,500) shares	**200,317**	119,773

The final dividend of HK$0.50 (2012: final dividend of HK$0.30) per share in respect of the year ended 31 December 2013 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

18. EARNINGS PER SHARE

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

	2013 HK$'000	2012 HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the year)	**558,589**	688,994

	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**399,115**	397,478
Effect of dilutive potential shares from the Scheme	**1,240**	1,192
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**400,355**	398,670

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2012	510,511	549,269	3,128,757	38,854	155,010	4,382,401
Currency realignment	4,144	398	11,921	190	(25)	16,628
Additions	206	52,734	239,997	1,905	173,305	468,147
Disposals	–	(2,370)	(35,192)	(1,000)	–	(38,562)
Write-off	–	(221)	(22,043)	(678)	–	(22,942)
Transfer to investment property	(68,293)	–	–	–	–	(68,293)
Transfer	300,352	–	–	–	(300,352)	–
At 31 December 2012	746,920	599,810	3,323,440	39,271	27,938	4,737,379
Currency realignment	4,134	(1,486)	(12,894)	(190)	248	(10,188)
Additions	–	60,665	222,543	955	29,709	313,872
Disposals	–	(2,156)	(30,226)	(33)	–	(32,415)
Write-off	–	(13,431)	(82,485)	(2,528)	–	(98,444)
Transfer	53,916	–	–	–	(53,916)	–
At 31 December 2013	804,970	643,402	3,420,378	37,475	3,979	4,910,204
DEPRECIATION AND IMPAIRMENT						
At 1 January 2012	186,162	352,038	1,747,652	22,870	–	2,308,722
Currency realignment	1,138	355	4,927	60	–	6,480
Provided for the year	18,452	86,418	265,191	2,666	–	372,727
Eliminated on disposals	–	(2,214)	(33,359)	(753)	–	(36,326)
Eliminated on write-off	–	(13)	(19,194)	(279)	–	(19,486)
Transfer to investment property	(353)	–	–	–	–	(353)
At 31 December 2012	205,399	436,584	1,965,217	24,564	–	2,631,764
Currency realignment	(3,076)	(2,653)	(17,493)	(241)	–	(23,463)
Provided for the year	23,227	96,288	289,594	2,666	–	411,775
Eliminated on disposals	–	(1,893)	(22,254)	(31)	–	(24,178)
Eliminated on write-off	–	(9,806)	(74,815)	(1,873)	–	(86,494)
At 31 December 2013	225,550	518,520	2,140,249	25,085	–	2,909,404
CARRYING VALUES						
At 31 December 2013	579,420	124,882	1,280,129	12,390	3,979	2,000,800
At 31 December 2012	541,521	163,226	1,358,223	14,707	27,938	2,105,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2013

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	2.0% to 4.5%
Leasehold improvements	10% to $33^1/_3$%
Plant and machinery	10% to $33^1/_3$%
Furniture, fixtures and equipment	10% to 20%

As at 31 December 2012 and 2013, the directors are of the opinion that there is neither any indicator of additional impairment nor any indicator that impairment previously recorded should be reversed.

20. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 January 2012	–
Transfers	68,293
Additions	2,676
At 31 December 2012	70,969
Currency realignment	2,221
Additions	53
At 31 December 2013	73,243
DEPRECIATION	
At 1 January 2012	–
Transfers	353
Provided for the year	1,115
At 31 December 2012	1,468
Currency realignment	46
Provided for the year	1,514
At 31 December 2013	3,028
CARRYING VALUES	
At 31 December 2013	70,215
At 31 December 2012	69,501

20. INVESTMENT PROPERTY (Continued)

During the year ended 31 December 2012, certain portion of the Group's research and development center located in the PRC held under medium-term lease with a carrying value of HK$67,940,000 were transferred from property, plant and equipment to investment property.

The Group's property interests held to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2013 was HK$114,471,000 (2012: HK$110,997,000). The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the property, the highest and best use of the properties is their current use. Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2013 is as follows:

	Level 3 HK$'000	**Fair value as at 31.12.2013 HK$'000**
Research and development center located in the PRC	114,471	**114,471**

Investment property is depreciated over the shorter of the terms of the lease and 48 years on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

21. INTANGIBLE ASSETS

	Licenses and similar rights HK$'000
COST	
At 1 January 2012	18,491
Currency realignment	321
Additions	17,316
At 31 December 2012	36,128
Currency realignment	1,651
Additions	3,898
At 31 December 2013	41,677
AMORTIZATION	
At 1 January 2012	7,111
Currency realignment	123
Charge for the year	13,681
At 31 December 2012	20,915
Currency realignment	955
Charge for the year	10,157
At 31 December 2013	32,027
CARRYING VALUES	
At 31 December 2013	9,650
At 31 December 2012	15,213

The intangible assets represent licenses and similar rights of softwares for machines used in production.

The licenses and similar rights are amortized on a straight-line basis at rates ranging from 20% to $33^1/_3$% per annum.

22. PREPAID LEASE PAYMENTS

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

Analyzed for reporting purposes as:

	2013 HK$'000	2012 HK$'000
Current	**974**	997
Non-current	**26,983**	27,794
	27,957	28,791

23. PLEDGED BANK DEPOSIT

Pursuant to the Master Sale and Purchase Agreement of the acquisition entered into between Siemens Aktiengesellschaft ("Siemens AG") and the Company (the "MSP Agreement") in connection with the acquisition of the entire equity interest of 13 direct and indirect subsidiaries of Siemens AG ("ASM AS Entities") in 2011 which principal activities are development, production, sale and service of surface mount technology placement machines, the Group provided a bank guarantee to Siemens AG upon completion of the acquisition for the purpose of securing certain obligations of the Group in accordance with the MSP Agreement in an amount of EUR20,000,000. At 31 December 2013, a bank deposit amounting to EUR20,000,000 (equivalent to approximately HK$213,866,000 (2012: approximately HK$204,520,000)) is pledged for the purpose of securing the bank guarantee. The pledged bank deposit will be released on 7 January 2015 if there is no claim from Siemens AG.

The pledged bank deposit carried interest at a market rate of 0.1% (2012: 0.1%) per annum.

24. INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	**786,397**	726,706
Work in progress	**1,697,769**	1,517,362
Finished goods	**751,953**	632,307
	3,236,119	2,876,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

25. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables *(Note a)*	**2,475,927**	2,269,154
Amount recoverable from Siemens AG *(Note b)*	**52,741**	208,179
Value added tax recoverable	**170,132**	329,755
Tax reserve certificate recoverable	**298,529**	234,929
Other receivables, deposits and prepayments	**135,188**	126,990
	3,132,517	3,169,007
Less: Non-current rental deposits paid shown under non-current assets	**(16,719)**	(13,549)
	3,115,798	3,155,458
The following is an aging analysis of trade receivables presented based on the due date at the end of the reporting period:		
Not yet due	**1,939,899**	1,721,565
Overdue within 30 days	**234,819**	218,882
Overdue within 31 to 60 days	**108,539**	111,407
Overdue within 61 to 90 days	**75,499**	57,453
Overdue over 90 days	**117,171**	159,847
	2,475,927	2,269,154

Notes:

(a) The amount included notes receivables amounting to HK$469,411,000 (2012: HK$435,508,000).

(b) Pursuant to the MSP Agreement, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify ASM AS Entities from and against any and all taxes imposed to ASM AS Entities relating to any taxable periods beginning before and ending before or after 7 January 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of ASM AS 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 and received the tax demand notes from tax authorities. Amount of HK$155,438,000 was settled in 2013 and the remaining is expected to be settled in 2014.

25. TRADE AND OTHER RECEIVABLES (Continued)

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

Included in the Group's trade receivables are amounts totaling HK$536,028,000 (2012: HK$547,589,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, those trade receivables that are past due but not impaired are generally recoverable. The trade and other receivables that are neither past due nor impaired are of good credit quality because of satisfactory repayment history.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2013	2012
	HK$'000	HK$'000
Foreign currency forward contracts	**4,225**	1,479

The foreign currency forward contracts were mainly related to the purchase of Euros and the sale of US dollars at contract rates ranging from US$1.3255 to US$1.3480 (2012: US$1.2914 to US$1.3186) per one Euro with future maturity dates ranging from 27 January 2014 to 24 April 2014 (2012: 29 January 2013 to 28 May 2013) at an aggregate notional amount of US$20,100,000, equivalent to approximately HK$155,851,000 (2012: US$27,100,000, equivalent to approximately HK$210,039,000).

27. BANK BALANCES AND CASH

Bank balances, current and fixed deposits carry interest at market rates which ranges from 0.001% to 2.45% (2012: 0.001% to 2.8%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

28. TRADE AND OTHER PAYABLES

	2013 HK$'000	2012 HK$'000
Trade payables	**1,161,150**	941,938
Amounts due to subsidiaries of a shareholder – trade *(Note)*	**119**	–
Accrued salaries and wages	**243,030**	270,902
Other accrued charges	**382,621**	419,690
Deposits received from customers	**259,192**	288,092
Payables arising from acquisition of property, plant and equipment	**73,073**	143,437
Other payables	**69,035**	59,336
	2,188,220	2,123,395
Less: Non-current other liabilities and accruals	**(36,410)**	(31,790)
	2,151,810	2,091,605
The following is an aging analysis of trade payables presented based on the due date at the end of the reporting period:		
Not yet due	**622,760**	552,157
Overdue within 30 days	**228,622**	130,659
Overdue within 31 to 60 days	**147,766**	115,331
Overdue within 61 to 90 days	**87,837**	83,389
Overdue over 90 days	**74,165**	60,402
	1,161,150	941,938

Note: Balance represents amounts due to subsidiaries of a shareholder of the Company, ASM International N.V. ("ASM International"), were mainly not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

The average 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 settled within the credit timeframe.

29. PROVISIONS

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

	2013 HK$'000	2012 HK$'000
Current	**348,901**	320,638
Non-current	**85,224**	54,181
	434,125	374,819

The Group's provisions mainly comprise warranty provision of HK$376,673,000 (2012: HK$362,349,000) and restructuring provision of HK$47,454,000 (2012: nil). The movement of the warranty provision and restructuring provision are as follows:

	Warranty provision HK$'000	Restructuring provision HK$'000
At 1 January 2012	357,658	–
Currency realignment	4,975	–
Additions	251,391	–
Utilization	(206,057)	–
Reversal	(45,618)	–
At 31 December 2012	362,349	–
Currency realignment	12,040	–
Additions	314,732	104,521
Utilization	(273,837)	(57,067)
Reversal	(38,611)	–
At 31 December 2013	376,673	47,454

The warranty provision represents management's best estimate of the Group's liability under 2-year warranty period for back-end equipment and surface mount technology equipment based on prior experience and industry averages for defective products. See note 11 for details of the restructuring provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

30. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Carrying amount repayable:		
Within one year *(Note)*	**486,809**	447,859
More than one year, but not exceeding two years	**129,230**	64,587
More than two years, but not more than five years	**16,154**	64,588
	632,193	577,034
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period that contains a repayment on demand clause (shown under current liabilities)	**63,969**	247,414
	696,162	824,448
Less: Amounts due within one year shown under current liabilities	**(550,778)**	(695,273)
Amounts shown under non-current liabilities	**145,384**	129,175

Note: The amount includes bank loans amounting HK$357,579,000 (2012: HK$383,272,000) that contains a repayment on demand clause.

At 31 December 2013, all bank borrowings bear interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum, at a weighted average effective interest rate of 1.95% (2012: 1.89%) per annum.

During the year ended 31 December 2012, the Group obtained new loan in the amount of HK$116,258,000 (2013: nil) to finance the construction of a property. The construction of such property was completed during the year ended 31 December 2012.

31. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2013 '000	2012 '000	2013 HK$'000	2012 HK$'000
Issued and fully paid:				
At 1 January	**399,244**	397,637	**39,925**	39,764
Shares issued under the Scheme	**1,389**	1,607	**138**	161
At 31 December	**400,633**	399,244	**40,063**	39,925

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

During the year, 1,389,200 (2012: 1,607,400) shares were issued at par to eligible employees and members of management under the employee share incentive scheme.

32. EMPLOYEE SHARE INCENTIVE SCHEME

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

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

On 21 March 2012, the directors resolved to grant, and the Company granted, a total of 1,950,300 shares ("2012 Incentive Shares") in the Company to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. The vesting period of such grant, which is the qualification period, was from 21 March 2012 to 15 December 2012.

On 28 March 2012 (the "Adoption Date"), a Share Award Scheme (the "Share Award Scheme") was adopted by the Company to establish a trust to purchase shares of the Company for the benefit of employees and the directors of the Company and its subsidiaries under the Employee Share Incentive Scheme. The scheme is valid and effective for a period of 8 years commencing from the Adoption Date. Pursuant to the rules of the scheme, the Company has appointed a trustee, Law Debenture Trust (Asia) Limited, for purpose of administering the scheme and holding the awarded shares. As a result of such Share Award Scheme, 328,000 shares (the "2012 Awarded Share") were allocated from the 2012 Incentive Shares as the 2012 Awarded Shares.

On 15 December 2012, 1,607,400 shares of the 2012 Incentive Shares were issued and 14,900 shares were forfeited and unallocated by the Company. 328,000 shares of the 2012 Awarded Shares were vested on the same date.

On 22 March 2013, the directors resolved to grant, and the Company granted, a total of 1,678,000 shares ("2013 Incentive Shares") in the Company to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. On the same date, 263,200 shares ("2013 Awarded Shares") were allocated from the 2013 Incentive Shares as the 2013 Awarded Shares. The vesting period of such grant, which is the qualification period, was from 22 March 2013 to 16 December 2013.

On 16 December 2013, 1,389,200 shares of the 2013 Incentive Shares were issued and 25,600 shares were forfeited and unallocated by the Company. 263,200 shares of the 2013 Awarded Shares were vested on the same date.

The fair value of the 2012 Incentive Shares and 2013 Incentive Shares granted was determined with reference to market value of the shares at the grant date taking into account the exclusion of the expected dividends as the employees are not entitled to receive dividends paid during the vesting period, while for the 2013 Awarded Shares, its fair value of HK$22,822,000 (2012 Awarded Shares: HK$37,035,000) was determined with reference to the cost of purchase from the market including transaction costs, which is not significantly different from the fair value at the grant date. The total estimated fair value of the 2013 Incentive Shares and the 2013 Awarded Shares at the grant date amounted to HK$142,418,000 (2012: HK$197,132,000) charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

32. EMPLOYEE SHARE INCENTIVE SCHEME (Continued)

Movement of the shares granted to employees and members of the management of the Group under the Employee Share Incentive Scheme:

	Number of Shares '000
Outstanding as at 1 January 2012	–
Shares granted on 21 March 2012	1,950
Allocated as Awarded Shares on 28 March 2012 *(Note)*	(328)
Shares entitlement forfeited on 15 December 2012	(15)
Shares issued on 15 December 2012	(1,607)
Outstanding as at 31 December 2012 and 1 January 2013	–
Shares granted on 22 March 2013	1,678
Allocated as Awarded Shares on 22 March 2013 *(Note)*	(263)
Shares entitlement forfeited on 16 December 2013	(26)
Shares issued on 16 December 2013	(1,389)
Outstanding as at 31 December 2013	–

Note: Movement of Awarded Shares purchased is as follows:

	Number of shares purchased '000	**Cost of purchase** HK$'000
At 1 January 2012	–	–
Shares purchased from the market during the year	328	37,035
Awarded Shares vested	(328)	(37,035)
At 31 December 2012 and 1 January 2013	–	–
Shares purchased from the market during the year	263	22,822
Awarded Shares vested	(263)	(22,822)
At 31 December 2013	–	–

33. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

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

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

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs which has been increased from HK$20,000 to HK$25,000 with effective from 1 June 2012 per employee, which contribution is matched by the employees.

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

The amount charged to profit or loss of HK$159,666,000 (2012: HK$137,081,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$20,000 (2012: HK$75,000) arising from employees leaving the Group prior to completion of qualifying service period.

At 31 December 2013 and 2012, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

Defined benefit plans

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

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

Furthermore, ASM AS 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 HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

The plan of ASM AS Entities exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

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 dependents with consideration of future compensation and pension increases. The most recent actuarial valuation of the DBO plan in Germany was carried out at 31 December 2013 by independent qualified actuaries, Aon Hewitt GmbH, a member of the International Actuarial Association.

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

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December	
	2013	2012
Discount rate	**3.70%**	3.50%
Average longevity at retirement age	**63 years**	63 years
Expected rate of compensation increase	**2.25%**	2.25%
Expected rate of pension progression	**1.75%**	1.75%

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans comprise:

	2013 HK$'000	2012 HK$'000
Principal pension benefit plans	**61,337**	71,093
Other post-employment benefit plans	**17,782**	16,712
Other retirement benefit obligations	**4,014**	3,605
	83,133	91,410

Net amount recognized in other comprehensive income (net of tax) are as follows:

For the year ended 31 December 2013

	Principal pension benefit plans HK$'000	**Other post-employment benefit plans HK$'000**	**Other retirement benefit obligations HK$'000**	**Total HK$'000**
Remeasurement gains (losses)	**17,861**	**275**	**(174)**	**17,962**
Income tax effect	**(5,844)**	**(90)**	**80**	**(5,854)**
	12,017	**185**	**(94)**	**12,108**

For the year ended 31 December 2012

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Other retirement benefit obligations HK$'000	Total HK$'000
Remeasurement (losses) gains	(55,873)	(3,745)	24	(59,594)
Income tax effect	18,144	1,230	60	19,434
	(37,729)	(2,515)	84	(40,160)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Principal pension benefit plans

A reconciliation of the funded status of the principal pension benefit plans to the amount recognized in the consolidated statement of financial position at 31 December 2013 and 2012 are as follows:

	2013 HK$'000	2012 HK$'000
Fair value of plan assets	**327,746**	276,458
Total present value of DBO		
Defined benefit obligation (funded)	**(385,067)**	(343,209)
Defined benefit obligation (unfunded)	**(4,016)**	(4,342)
Net liability arising from defined benefit obligation	**(61,337)**	(71,093)

The actuarial valuation showed that market value of the plan assets was HK$327,746,000 (2012: HK$276,458,000) and that the actuarial value of these represented 84% (2012: 80%) of the benefits that had accrued to members.

The following table shows the movements in the present value of the plan assets for the years ended:

	2013 HK$'000	2012 HK$'000
At 1 January	**276,458**	214,740
Currency realignment	**12,770**	4,221
Interest income	**10,692**	8,718
Return on plan assets (excluding amounts included in net interest expenses)	**10,048**	29,999
Contributions from plan participants	**–**	2,268
Employer contribution	**17,778**	16,512
At 31 December	**327,746**	276,458

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Principal pension benefit plans (Continued)

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2013 HK$'000	2012 HK$'000
Asset class		
Fixed income and corporate bonds	**224,439**	212,873
Equity securities	**97,768**	58,056
Cash and other assets	**5,539**	5,529
	327,746	276,458

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on defined benefit plan assets for the year ended 31 December 2013 was a gain of HK$20,740,000 (2012: HK$38,717,000).

The movements in the present value of the DBO for the years ended are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	**347,551**	224,178
Currency realignment	**15,840**	5,367
Current service cost	**23,012**	17,291
Interest cost	**12,750**	11,201
Past service cost	**–**	1,068
Remeasurement (gains) losses		
Actuarial (gains) losses arising from changes in financial assumptions	**(12,102)**	75,802
Actuarial losses arising from experience adjustments	**4,289**	10,070
Transfer (out) in	**(772)**	870
Contributions from plan participants	**–**	2,268
Benefits paid	**(1,485)**	(564)
At 31 December	**389,083**	347,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans

Employees who joined ASM Assembly Systems GmbH & Co. KG ("ASM AS KG"), a subsidiary located in Germany, on or before 30 September 1983, are entitled to transition payments and death benefits. In respect of the transition payments for the first six months after retirement, participants receive the difference between their final compensation and the retirement benefits payable under the corporate pension plan.

The reconciliation of the funded status of the other post-employment benefit plans to the amount recognized in the consolidated statement of financial position are as follows:

	2013 HK$'000	2012 HK$'000
Defined benefit obligation (unfunded)	**17,782**	16,712

The movements in the present value of the defined benefit obligation for the other post-employment benefits for the years ended are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	**16,712**	14,216
Currency realignment	**759**	308
Current service cost	**588**	457
Interest cost	**597**	705
Transfer out	**–**	(870)
Remeasurement (gains) losses		
Actuarial (gains) losses arising from changes in financial assumptions	**(271)**	2,112
Actuarial (gains) losses arising from experience adjustments	**(4)**	1,633
Benefits paid	**(599)**	(1,849)
At 31 December	**17,782**	16,712

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans (Continued)

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected pension increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by HK$27,209,000 (increase by HK$31,473,000).

- If the expected rate of pension in payment increases (decreases) by 50 basis point, the defined benefit obligation would increase by HK$17,408,000 (decrease by HK$15,728,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the fund is asset mix based on 30% equity instruments and 70% debt instruments.

There has been no change in the process used by the Group to manage its risks from prior periods.

The Group's subsidiaries fund the service costs expected to be earned on a yearly basis.

The average duration of the benefit obligation at 31 December 2013 is 15.04 years (2012: 16.54 years).

The Group expects to make a contribution of HK$23,198,000 (2012: HK$21,814,000) to the defined benefit plans during the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans (Continued)

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

For the year ended 31 December 2013

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Service cost:			
Current service cost	23,012	588	23,600
Net interest expense	2,058	597	2,655
Components of defined benefit costs recognized in profit or loss	25,070	1,185	26,255
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)	(10,048)	–	(10,048)
Actuarial gains arising from changes in financial assumptions	(12,102)	(271)	(12,373)
Actuarial losses (gains) arising from experience adjustments	4,289	(4)	4,285
Components of defined benefit costs recognized in other comprehensive income	(17,861)	(275)	(18,136)
Total	7,209	910	8,119

33. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans (Continued)

For the year ended 31 December 2012

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Service cost:			
Current service cost	17,291	457	17,748
Past service cost and loss from settlements	1,068	–	1,068
Net interest expense	2,483	705	3,188
Components of defined benefit costs recognized in profit or loss	20,842	1,162	22,004
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)	(29,999)	–	(29,999)
Actuarial losses arising from changes in financial assumptions	75,802	2,112	77,914
Actuarial losses arising from experience adjustments	10,070	1,633	11,703
Components of defined benefit costs recognized in other comprehensive income	55,873	3,745	59,618
Total	76,715	4,907	81,622

Service cost and net interest expense for pension are allocated among functional costs (cost of sale, selling and distribution expenses, general and administrative expenses and research and development expenses).

The remeasurement of the net defined benefit liability is included in other comprehensive income.

Other retirement benefit obligations

As at 31 December 2013, the consolidated statement of financial position also includes liabilities for other retirement benefit obligations consisting of liabilities for severance payments in Italy and Austria and national pension fund in Korea amounting to HK$4,014,000 (2012: HK$3,605,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

34. DEFERRED TAXATION

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

	Depreciation	Tax losses	Retirement benefit obligations	Inventories	Trade receivables	Provisions	Others	Total
	HK$'000 *(Note a)*	HK$'000	HK$'000 *(Note b)*	HK$'000 *(Note c)*	HK$'000 *(Note c)*	HK$'000 *(Note b)*	HK$'000	HK$'000
At 1 January 2012	(1,796)	2,474	19,091	59,614	(15,749)	29,512	(33,391)	59,755
Reclassification	(109)	–	14,987	(18,053)	20,619	(15,708)	(1,736)	–
Credit (charge) to profit or loss for the year	5,811	(71)	(4,035)	39,972	988	7,805	31,621	82,091
Credit to other comprehensive income for the year	–	–	19,434	–	–	–	–	19,434
Currency realignment	(82)	(60)	802	555	98	391	(161)	1,543
At 31 December 2012	3,824	2,343	50,279	82,088	5,956	22,000	(3,667)	162,823
Credit (charge) to profit or loss for the year	3,883	29,531	2,996	7,012	(2,319)	22,046	13,563	76,712
Charge to other comprehensive income for the year	–	–	(5,854)	–	–	–	–	(5,854)
Currency realignment	(42)	(494)	2,162	782	53	606	(104)	2,963
At 31 December 2013	7,665	31,380	49,583	89,882	3,690	44,652	9,792	236,644

Notes:

(a) The deferred tax arose from the temporary difference between the carrying amount of property, plant and equipment and their tax base. As at 31 December 2012 and 2013, the tax depreciation was less than accounting depreciation. A deductible temporary difference arose, and resulted in a deferred tax asset.

(b) The deductible temporary difference arising from retirement benefit obligations and provisions would be reversed upon the settlement of the related obligations and provisions.

(c) The deductible temporary difference mainly arising from allowances of inventories and trade receivables and unrealized profit of inventories would be reversed upon sales of inventories and write off of respective inventories and receivables.

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

	2013	2012
	HK$'000	HK$'000
Deferred tax assets	**242,427**	171,634
Deferred tax liabilities	**(5,783)**	(8,811)
	236,644	162,823

34. DEFERRED TAXATION (Continued)

At 31 December 2013, the Group had unused tax losses of HK$462,306,000 (2012: HK$485,572,000) available to offset future taxable profits. At 31 December 2013, a deferred tax asset amounting to HK$31,380,000 (2012: HK$2,343,000) was recognized for tax losses amounting to HK$180,383,000 (2012: HK$7,603,000) and no deferred tax was recognized in respect of the remaining tax losses of HK$281,923,000 (2012: HK$477,969,000) due to the unpredictability of future profit streams. At 31 December 2013, included in the unrecognized tax losses are losses of HK$60,037,000 that would expire in 2017 (2012: HK$3,737,000 that will expire in 2021). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For certain subsidiaries located in other jurisdictions, withholding tax is also imposed on dividend. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of these subsidiaries amounting to HK$1,245,008,000 (2012: HK$844,630,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

35. CONTINGENT LIABILITIES

	2013 HK$'000	2012 HK$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	**2,671**	3,110

In addition, a supplier raised a claim in 2009 against a group entity which was acquired by the Group in 2011. The management estimated the expected financial effect to be an amount of EUR2,500,000 (equivalent to approximately HK$26,733,000 (2012: approximately HK$25,565,000)) and the amount was recognized as a liability as of 31 December 2013. The legal proceedings have not yet been finalized. However, the management believes that the accrued liabilities will be sufficient to meet the obligation under the claim. The Group is not aware of any other legal proceedings that would have an adverse or material impact on the Group's financial results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

36. CAPITAL AND OTHER COMMITMENTS

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorized but not contracted for	**72,259**	44,796
– contracted for but not provided in the consolidated financial statements	**113,725**	107,606
Other commitment in respect of acquisition of land use right:		
– contracted for but not provided in the consolidated financial statements	**26,904**	61,322
Other commitment in respect of acquisition of subsidiaries *(see note 40)*:		
– contracted for but not provided in the consolidated financial statements	**1,550,760**	–
	1,763,648	213,724

37. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013			2012		
	Land and buildings HK$'000	**Motor vehicles and others HK$'000**	**Total HK$'000**	Land and buildings HK$'000	Motor vehicles and others HK$'000	Total HK$'000
Within one year	**192,329**	**7,537**	**199,866**	168,641	5,903	174,544
In the second to fifth years inclusive	**326,994**	**13,388**	**340,382**	357,115	8,148	365,263
Over five years	**18,642**	**–**	**18,642**	20,488	–	20,488
	537,965	**20,925**	**558,890**	546,244	14,051	560,295

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties, quarters and motor vehicles. Except for land leased from the Singapore Housing & Development Board for a period of 30 years (renewable upon expiry for a further term of 30 years), other leases are negotiated for an average term of two to five years (2012: two to five years).

38. SHARE OPTION SCHEMES

ASM International, a shareholder of the Company and the former ultimate holding company of the Company, has adopted various share option schemes for the primary purpose of providing incentives to the directors and eligible employees of ASM International and its subsidiaries. Under these schemes, key employees of ASM International and its subsidiaries may purchase a specific number of shares of ASM International. Options were priced at market value in Euros or US dollars on the grant date, and were generally vest in equal parts over a period of five years and generally expire after five or ten years from the grant date. ASM International ceased to be the controlling shareholder of the Company upon its partial disposal of its equity interest in the Company during the year.

A summary of the movements of share options of ASM International granted to the directors of the Company in respect of services provided to ASM International during the year ended 31 December 2012 is as follows:

	Held by directors	Weighted average exercise price EUR
At 1 January 2012	420,531	17.11
Granted during the year	100,000	27.04
At 31 December 2012	520,531	19.01

39. CONNECTED AND RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2013 HK$'000	2012 HK$'000
Short-term benefits	**26,667**	30,938
Post-employment benefits	**1,260**	1,316
Share-based payments	**27,092**	43,210
	55,019	75,464

Certain shares of the Company were issued to 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 Employee Share Incentive Scheme was further extended for another term of 10 years up to 23 March 2020 pursuant to an annual meeting of the Company on 24 April 2009. The estimated fair value of such shares were included in share-based payments for both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Acquisition of DEK Business

On 3 December 2013, the Company entered into a master sale and purchase agreement (the "S&P Agreement") with Dover Printing & Identification, Inc. and Dover Corporation (the "Sellers") pursuant to which the Company conditionally agreed to acquire the screen printing and processes business currently operated by the Sellers ("DEK Business") which comprises all the shares in the companies currently operating the DEK Business ("Target Companies"). The product portfolio of the DEK Business consists of surface mount technology assembly equipment for the electronics industry, metallization equipment for solar and fuel cells industry and a portfolio of the following recurring revenue products: consumables, replacement screens, stencils, parts and services.

The purchase consideration comprises the base purchase price of US$170,000,000 (equivalent to approximately HK$1,318,146,000) adjusted by the amount of working capital, capital expenditures and cash and cash equivalents of the Target Companies upon completion pursuant to the terms specified in the S&P Agreement; and plus a contingent consideration totaling up to US$30,000,000 (equivalent to approximately HK$232,614,000) that are linked to the actual revenue of the Target Companies earned during the measurement period specified in the S&P Agreement.

Details of the transaction were set out in the Company's announcement dated 3 December 2013. The transaction has not yet completed at the date of approval of these consolidated financial statements.

(b) Setting Up of Advanced Laser Technology Center

The Group entered into a purchase agreement on 12 February 2014 (the "Agreement") to purchase, amongst other things, the intellectual property rights and know-how of Advanced Laser Separation International B.V. ("ALSI"), a Dutch technology company specializing in multi-beam laser-cutting and low-K wafer grooving (the "Purchase"). Through this purchase, the Group has set up an advanced laser technology center in the Netherlands to develop technology and machines to serve the laser sawing market. ALSI is an independent third party. The Purchase has completed at the date of approval of these consolidated financial statements. Details are set out in the Company's announcement on "Setting Up of Advanced Laser Technology Center" dated 14 February 2014. The Company is currently assessing the financial impact of the Purchase.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries at 31 December 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary share/registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
ASM Assembly Equipment Bangkok Limited	Thailand	Baht7,000,000	–	100%	Marketing service
ASM Assembly Equipment (M) Sdn. Bhd.	Malaysia	MYR10,000	–	100%	Marketing service
ASM Assembly Systems GmbH & Co. KG *(Note a)*	Germany	EUR20,200,000	–	100%	Manufacture and sale of surface mount technology equipment and trading of semiconductor equipment
ASM Assembly Systems, LLC	Delaware, United States	–	–	100%	Trading of surface mount technology equipment
先進裝配系統有限公司 (ASM Assembly Systems Ltd.)*	PRC	EUR5,400,000	–	100%	Trading of surface mount technology equipment
ASM Assembly Systems Singapore Pte. Ltd.	Singapore	S$33,000,001	–	100%	Manufacture and sale of surface mount technology equipment
ASM Assembly Technology Co., Ltd.	Japan	JPY10,000,000	100%	–	Trading of semiconductor equipment
先域微電子技術服務(上海)有限公司 (ASM Microelectronic Technical Services (Shanghai) Co., Limited)*	PRC	US$400,000	–	100%	Trading of semiconductor equipment
ASM Pacific Assembly Products, Inc.	United States of America	US$60,000	–	100%	Trading of semiconductor equipment and materials
ASM Pacific (Holding) Limited	Hong Kong	HK$1,000,000	100%	–	Trading of semiconductor equipment and materials in Taiwan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary share/registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
ASM Pacific (Hong Kong) Limited	Hong Kong	HK$500,000	100%	–	Trading of semiconductor equipment, surface mount technology equipment and materials in Hong Kong and marketing service in Korea
先進半導體材料(深圳)有限公司 (ASM Materials China Limited)*	PRC	US$41,672,392 (2012: US$37,672,392)	–	100%	Manufacture of semiconductor equipment and materials
ASM Technology Asia Limited	Hong Kong	HK$2	100%	–	Investment holding and agency services and also provision of logistics and purchasing services to group companies
先進科技(中國)有限公司 (ASM Technology China Limited)*	PRC	US$26,058,159	–	100%	Research and development of semiconductor equipment
ASM Technology Hong Kong Limited	Hong Kong	HK$10,000,000	100%	–	Manufacture of semiconductor equipment and provision of research and development services
先進科技(惠州)有限公司 (ASM Technology (Huizhou) Co., Ltd.)*	PRC	US$107,737,691 (2012: US$97,752,396)	–	100%	Manufacture of semiconductor equipment and surface mount technology equipment
ASM Technology (M) Sdn. Bhd.	Malaysia	MYR74,000,000	100%	–	Manufacture of semiconductor equipment, materials and surface mount technology equipment
ASM Technology Singapore Pte Ltd	Singapore	S$53,000,000	100%	–	Manufacture and sale of semiconductor equipment and materials
進峰貿易(深圳)有限公司 (Edgeward Trading (Shenzhen) Limited)*	PRC	US$300,000	–	100%	Trading of semiconductor equipment and materials
深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Ltd.)	PRC	*(Note b)*	–	*(Note b)*	Manufacture of semiconductor equipment and surface mount technology equipment

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(a) Pursuant to the MSP Agreement entered into with Siemens AG, the Company undertook for a period of three years from the date of completion of acquisition of the ASM AS Entities not to directly or indirectly make, resolve on, initiate, enable or accept dividend payments and loan repayments from ASM AS KG. As at 31 December 2013 and 2012, no loan was advanced to ASM AS KG and the accumulated gain of ASM AS KG amounted to EUR23,148,000 (equivalent to approximately HK$247,534,000) (2012: EUR9,071,000 (equivalent to approximately HK$92,760,000)).

(b) Under a joint venture agreement, the Group has committed to contribute 100% of the registered capital of HK$718,300,000 (2012: HK$718,300,000) in 深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Ltd.) ("MET"), a co-operative joint venture company established in the PRC with a term of 10 years commencing October 1994. On 23 February 2004, the term was approved to be extended for a period of five years to October 2009. On 23 June 2009, the term was approved to be extended for a further period of seven years to October 2016. At 31 December 2013, the Group has paid up HK$712,500,000 (2012: HK$648,529,270) as registered capital of MET. The Group has to bear the entire risk and liabilities of MET and has power over MET. Also, the Group is exposed and has rights, to variable returns from its involvement with MET. Other than annual amount of HK$10,201,000 (2012: HK$10,029,000) attributable to assets provided by the PRC joint venture partner, the Group is entitled to the entire profit or loss of MET. On cessation of the joint venture company, the Group will be entitled to all assets other than those provided by the PRC joint venture partner and those irremovable building improvements. The annual amount paid to the PRC joint venture partner was included in the minimum lease payments during the year. The commitment for the future payments was included in the operating lease commitments as at 31 December 2013 and 2012 in note 37.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2013

42. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2013 **HK$'000**	2012 HK$'000
Assets		
Unlisted investments in subsidiaries	**464,199**	464,199
Loans to subsidiaries	**759,379**	749,482
Pledged bank deposit	**213,866**	204,520
Amounts due from subsidiaries	**2,580,485**	2,288,302
Other current assets	**117,353**	83,892
	4,135,282	3,790,395
Liabilities	**(971,292)**	(880,361)
	3,163,990	2,910,034
Capital and reserves		
Share capital *(see note 31)*	**40,063**	39,925
Reserves *(Note)*	**3,123,927**	2,870,109
	3,163,990	2,910,034

42. INFORMATION ABOUT FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Movement in reserves

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 January 2012	665,329	–	–	155	56,143	1,729,527	318,110	2,769,264
Profit and total comprehensive income for the year	–	–	–	–	–	501,578	–	501,578
Sub-total	665,329	–	–	155	56,143	2,231,105	318,110	3,270,842
Recognition of equity-settled share-based payments	–	197,132	–	–	–	–	–	197,132
Purchase of shares under the Employee Share Incentive Scheme	–	–	(37,035)	–	–	–	–	(37,035)
Shares vested under the Employee Share Incentive Scheme	–	(37,035)	37,035	–	–	–	–	–
Shares issued under the Employee Share Incentive Scheme	159,936	(160,097)	–	–	–	–	–	(161)
2011 final dividend paid	–	–	–	–	–	–	(318,110)	(318,110)
2012 interim dividend paid	–	–	–	–	–	(242,559)	–	(242,559)
2012 final dividend proposed	–	–	–	–	–	(119,773)	119,773	–
At 31 December 2012 and 1 January 2013	825,265	–	–	155	56,143	1,868,773	119,773	2,870,109
Profit and total comprehensive income for the year	–	–	–	–	–	393,869	–	393,869
Sub-total	825,265	–	–	155	56,143	2,262,642	119,773	3,263,978
Recognition of equity-settled share-based payments	–	142,418	–	–	–	–	–	142,418
Purchase of shares under the Employee Share Incentive Scheme	–	–	(22,822)	–	–	–	–	(22,822)
Shares vested under the Employee Share Incentive Scheme	–	(22,822)	22,822	–	–	–	–	–
Shares issued under the Employee Share Incentive Scheme	119,458	(119,596)	–	–	–	–	–	(138)
2012 final dividend paid	–	–	–	–	–	–	(119,773)	(119,773)
2013 interim dividend paid	–	–	–	–	–	(139,736)	–	(139,736)
2013 final dividend proposed	–	–	–	–	–	(200,317)	200,317	–
At 31 December 2013	944,723	–	–	155	56,143	1,922,589	200,317	3,123,927

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**10,841,166**	10,460,558	12,915,194	9,515,089	4,732,174
Profit before taxation	**673,010**	868,678	3,289,444	3,219,647	1,065,770
Income tax expense	**(114,421)**	(179,684)	(357,464)	(377,613)	(130,332)
Profit for the year	**558,589**	688,994	2,931,980	2,842,034	935,438

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**2,721,609**	2,698,143	2,470,652	1,656,547	938,753
Current assets	**8,018,860**	7,525,837	7,141,054	5,960,609	3,831,063
Current liabilities	**(3,303,270)**	(3,351,939)	(3,158,289)	(2,476,396)	(1,359,185)
Net current assets	**4,715,590**	4,173,898	3,982,765	3,484,213	2,471,878
Non-current liabilities	**(355,934)**	(315,367)	(187,622)	(610)	(555)
Equity attributable to owners of the Company	**7,081,265**	6,556,674	6,265,795	5,140,150	3,410,076

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