ASM PACIFIC TECHNOLOGY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0522)

ANNOUNCEMENT OF 2016 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Strong Order Intake
Continuous Improvement in Profitability

Second Quarter of 2016

- **Group revenue of US$472.8 million, representing an increase of 28.2% over the preceding quarter and a decline of 2.5% against the same period last year**
- **Net profit of HK$354.4 million, representing a surge of 177.0% over the preceding quarter and a decline of 19.1% against the same period last year**
- **Earnings per share of HK$0.89 for the second quarter 2016**
- **Back-end equipment revenue of US$255.1 million, representing increases of 54.6% and 6.3% over the preceding three months and the same period last year, respectively**
- **Materials revenue of US$61.8 million, representing increases of 12.0% and 7.1% over the preceding three months and the same period last year, respectively**
- **SMT Solutions revenue of US$155.9 million, representing an increase of 4.9% over the preceding three months and a decline of 16.7% against the same period last year**
- **New order bookings of US$561.4 million, an increase of 37.1% over the preceding quarter**
- **Cash and bank deposits of HK$2.75 billion as of 30 June 2016**

First Half of 2016

- **Group revenue of US$841.1 million, representing a decline of 4.2% against the first six-month period of last year and an improvement of 6.0% over the second six-month period of last year**
- **Net profit of HK$482.3 million, representing a decline of 33.3% and an increase of 109.6% as compared to the first and second six-month period of 2015, respectively**
- **Earnings per share of HK$1.22 for the first half of 2016**
- **Back-end equipment revenue of US$419.9 million, representing increases of 1.0% and 23.4% over the first and second six-month period of last year, respectively**
- **Materials revenue of US$116.9 million, representing increases of 2.1% and 10.0% over the first and second six-month period of last year, respectively**
- **SMT Solutions revenue of US$304.3 million, representing contractions of 12.5% and 12.2% against the first and second six-month period of last year, respectively**
- **New order bookings of US$970.7 million, representing increases of 1.3% and 27.5% over the first and second six-month period of last year, respectively**
- **Order backlog stood at US$519.2 million as of 30 June 2016**

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the six months ended 30 June 2016:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved revenue of **HK$6.53 billion** (US$841.1 million) for the six months ended 30 June 2016, representing a decline of 4.2% as compared with HK$6.82 billion (US$879.3 million) for the first six months of 2015 and an increase of 6.0% over the preceding six months. The Group's consolidated profit after taxation for the first six months of 2016 was **HK$482.3 million** as compared to a profit of HK$722.9 million in the corresponding period in 2015 and a profit of HK$230.0 million in the preceding six months. Basic earnings per share (EPS) for the first six months of 2016 amounted to HK$1.22 (first six months of 2015: HK$1.80, second six months of 2015: HK$0.58).

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK$0.80 (2015: HK$1.00) per share, payable to shareholders whose names appear on the Register of Members of the Company on 19 August 2016.

The Register of Members will be closed from 17 August 2016 to 19 August 2016, both days inclusive, during which period no share transfers can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant shares certificates, must be lodged with Company's Share Registrars, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00p.m. on 16 August 2016. The interim dividend will be paid on or about 29 August 2016.

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 30 June		Six months ended 30 June	
		2016	2015	**2016**	2015
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	HK$'000	**HK$'000**	HK$'000
	Notes				
Revenue	2	**3,669,208**	3,761,952	**6,531,282**	6,817,818
Cost of sales		**(2,234,829)**	(2,341,584)	**(4,150,799)**	(4,284,315)
Gross profit		**1,434,379**	1,420,368	**2,380,483**	2,533,503
Other income		**9,163**	5,276	**14,434**	12,950
Selling and distribution expenses		**(320,350)**	(333,088)	**(606,210)**	(631,199)
General and administrative expenses		**(199,697)**	(190,508)	**(371,697)**	(361,311)
Research and development expenses		**(310,565)**	(300,404)	**(576,851)**	(581,636)
Other gains and losses	5	**(26,401)**	(18,401)	**(31,324)**	52,037
Restructuring costs	6	**(78,863)**	-	**(80,257)**	-
Finance costs	7	**(42,174)**	(39,158)	**(91,663)**	(76,954)
Profit before taxation		**465,492**	544,085	**636,915**	947,390
Income tax expense	8	**(111,107)**	(105,825)	**(154,599)**	(224,534)
Profit for the period		**354,385**	438,260	**482,316**	722,856
Profit for the period attributable to:					
Owners of the Company		**359,323**	438,260	**493,115**	722,856
Non-controlling interests		**(4,938)**	-	**(10,799)**	-
		354,385	438,260	**482,316**	722,856
Earnings per share	10				
- Basic		**HK$0.89**	HK$1.09	**HK$1.22**	HK$1.80
- Diluted		**HK$0.89**	HK$1.09	**HK$1.22**	HK$1.79

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 June		**Six months ended 30 June**	
	2016	2015	**2016**	2015
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the period	**354,385**	438,260	**482,316**	722,856
Other comprehensive (expense) income				
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**(107,443)**	76,089	**30,426**	(192,358)
Total comprehensive income for the period	**246,942**	514,349	**512,742**	530,498
Total comprehensive income for the period attributable to:				
Owners of the Company	**251,866**	514,349	**523,462**	530,498
Non-controlling interests	**(4,924)**	-	**(10,720)**	-
	246,942	514,349	**512,742**	530,498

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2016 (Unaudited) HK$'000**	At 31 December 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**2,184,052**	2,218,161
Investment property		**61,105**	63,048
Goodwill		**428,213**	427,754
Intangible assets		**585,441**	604,888
Prepaid lease payments		**22,102**	22,573
Pledged bank deposits		**1,425**	2,562
Deposits paid for acquisition of property, plant and equipment		**31,122**	13,666
Rental deposits paid		**27,344**	24,755
Deferred tax assets		**315,591**	289,846
Other non-current assets		**103,860**	106,496
		3,760,255	3,773,749
Current assets			
Inventories		**4,219,695**	3,482,436
Trade and other receivables	11	**4,555,219**	4,304,398
Prepaid lease payments		**846**	822
Derivative financial instruments		**3,712**	2,108
Income tax recoverable		**33,341**	21,774
Pledged bank deposits		**1,441**	7,228
Bank deposits with original maturity of more than three months		**381,607**	254,983
Bank balances and cash		**2,372,675**	2,020,145
		11,568,536	10,093,894
Current liabilities			
Trade and other payables	12	**3,424,986**	2,389,798
Derivative financial instruments		**3,748**	9,057
Provisions		**338,261**	280,733
Income tax payable		**307,068**	415,728
Convertible bonds	13	**2,172,915**	-
Bank borrowings		**90,516**	37,459
		6,337,494	3,132,775
Net current assets		**5,231,042**	6,961,119
		8,991,297	10,734,868

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Notes	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Capital and reserves			
Share capital		**40,610**	40,453
Dividend reserve		**324,884**	161,812
Other reserves		**8,184,256**	7,804,254
Equity attributable to owners of the Company		**8,549,750**	8,006,519
Non-controlling interests		**18,746**	29,466
Total equity		**8,568,496**	8,035,985
Non-current liabilities			
Convertible bonds	13	**-**	2,264,775
Retirement benefit obligations		**142,669**	127,833
Provisions		**50,222**	65,459
Bank borrowings		**142,239**	141,441
Deferred tax liabilities		**56,001**	61,622
Other liabilities and accruals		**31,670**	37,753
		422,801	2,698,883
		8,991,297	10,734,868

Notes:

1. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and structured deposits which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The application of those amendments to HKFRSs in the current interim period has had no material effect on amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

2. Segment information

The Group has three operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology ("SMT") solutions and (3) materials. 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 the 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 major types of products manufactured by the Group.

Segment revenue and results

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Segment revenue from external customers		
Back-end equipment	**3,260,152**	3,227,849
SMT solutions	**2,363,525**	2,700,674
Materials	**907,605**	889,295
	6,531,282	6,817,818
Segment profit		
Back-end equipment	**603,556**	507,766
SMT solutions	**199,111**	407,333
Materials	**90,079**	82,383
	892,746	997,482
Interest income	**10,167**	3,527
Finance costs	**(91,663)**	(76,954)
Unallocated other income	**126**	-
Unallocated net foreign exchange (loss) gain	**(34,725)**	49,394
Unallocated general and administrative expenses	**(59,479)**	(26,059)
Restructuring costs	**(80,257)**	-
Profit before taxation	**636,915**	947,390
Segment profit %		
Back-end equipment	**18.5%**	15.7%
SMT solutions	**8.4%**	15.1%
Materials	**9.9%**	9.3%

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

2. Segment information – continued

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

<u>Geographical analysis of revenue by location of customers</u>

	Revenue from external customers Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Mainland China	**2,900,279**	2,801,247
Europe	**1,086,963**	1,113,993
- Germany	**361,278**	321,889
- Hungary	**113,419**	94,276
- France	**89,440**	64,882
- Romania	**64,498**	90,709
- Austria	**32,575**	68,712
- Others	**425,753**	473,525
Hong Kong	**582,059**	576,470
Americas	**506,216**	474,999
- United States of America	**316,379**	327,797
- Mexico	**100,001**	73,845
- Canada	**62,766**	52,585
- Others	**27,070**	20,772
Malaysia	**439,233**	441,139
Taiwan	**266,154**	319,106
Thailand	**198,736**	221,868
Japan	**167,760**	297,241
Philippines	**137,274**	202,802
Korea	**129,392**	202,120
Singapore	**53,029**	87,104
Others	**64,187**	79,729
	6,531,282	6,817,818

3. Analysis of quarterly segment revenue and results for the three months ended 30 June 2016

	Three months ended		
	30 June 2016	31 March 2016	30 June 2015
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers			
Back-end equipment	**1,979,729**	1,280,423	1,861,559
SMT solutions	**1,209,915**	1,153,610	1,452,576
Materials	**479,564**	428,041	447,817
	3,669,208	2,862,074	3,761,952
Segment profit			
Back-end equipment	**446,096**	157,460	336,511
SMT solutions	**145,355**	53,756	241,538
Materials	**50,025**	40,054	40,470
	641,476	251,270	618,519
Interest income	**6,309**	3,858	1,568
Finance costs	**(42,174)**	(49,489)	(39,158)
Unallocated other income	**126**	-	-
Unallocated net foreign exchange loss	**(27,000)**	(7,725)	(20,151)
Unallocated general and administrative expenses	**(34,382)**	(25,097)	(16,693)
Restructuring costs	**(78,863)**	(1,394)	-
Profit before taxation	**465,492**	171,423	544,085
Segment profit %			
Back-end equipment	**22.5%**	12.3%	18.1%
SMT solutions	**12.0%**	4.7%	16.6%
Materials	**10.4%**	9.4%	9.0%

4. Depreciation and amortization

During the period, depreciation and amortization amounting to HK$201.2 million (HK$192.9 million for the six months ended 30 June 2015), HK$0.7 million (HK$0.8 million for the six months ended 30 June 2015) and HK$20.5 million (HK$18.5 million for the six months ended 30 June 2015) were charged to profit or loss in respect of the Group’s property, plant and equipment, investment property and intangible assets, respectively.

5. Other gains and losses

During the period, included in other gains and losses are mainly net foreign exchange loss of HK$34.7 million (net foreign exchange gain of HK$49.4 million for the six months ended 30 June 2015).

6. Restructuring costs

During the period, included in restructuring costs are mainly plant relocation costs for moving manufacturing facilities located at Yantian, Shenzhen, China to Longgang, Shenzhen, China. Due to the local authorities’ redevelopment plans, part of the operation of a subsidiary of the Company, Shenzhen ASM Micro Electronic Technology Co., Ltd., was required to move out of its premises located in Yantian by the first half of 2017. In connection with this plant relocation, the Group recorded HK$75,012,000 restructuring costs for the period ended 30 June 2016, which primarily relates to estimated severance payments of HK$47,450,000 and incentive payments and other compensation of HK$23,500,000 to employees for relocation to new premises of the Group.

7. Finance costs

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**1,923**	1,653
Interest on convertible bonds (Note 13)	**75,884**	73,447
Others	**13,856**	1,854
	91,663	76,954

8. Income tax expense

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**23,069**	21,697
PRC Enterprise Income Tax	**60,509**	33,619
Other jurisdictions	**101,342**	217,606
	184,920	272,922
Deferred tax credit:		
Current period	**(30,321)**	(48,388)
	154,599	224,534

Current tax:

(a) Hong Kong Profits Tax is calculated at 16.5% (16.5% for the six months ended 30 June 2015) of the estimated assessable profit for the period.

(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% for the six months ended 30 June 2016 (25% for the six months ended 30 June 2015), except for ASM Technology China Limited ("ATC"). On 28 October 2015, ATC was recognized as an advanced technology service enterprise ("ATSE") by the Chengdu Science and Technology Bureau for a period of 3 years, i.e. from 2015 to 2017. According to the tax circular Caishui [2014] No. 59, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15% from 2015 to 2017, subject to fulfillment of recognition criteria for ATSE during the relevant period.

(c) On 12 July 2010, the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate 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 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 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% (17% for the six months ended 30 June 2015).

8. 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% (15.00% for the six months ended 30 June 2015) plus 5.50% (5.50% for the six months ended 30 June 2015) solidarity surcharge thereon for the assessable profit for the period. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 12.495% to 17.015% (11.550% to 17.015% for the six months ended 30 June 2015) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 28.320% and 32.840% (27.375% to 32.840% for the six months ended 30 June 2015).

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

The deferred tax credit is mainly related to the tax effect of temporary difference between the tax base of certain assets and liabilities and the carrying value of the assets and liabilities. The balance mainly includes deductible temporary differences arising from retirement benefit obligations, provisions, inventories and trade receivables.

The Group continued to receive letters from the Hong Kong Inland Revenue Department during the six months ended 30 June 2016 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 30 June 2016, the Group purchased tax reserve certificates amounting to HK$370.0 million (31 December 2015: HK$346.0 million), as disclosed in note 11.

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that sufficient provision for taxation has been made in the condensed consolidated financial statements.

9. Dividends

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividend recognized as distribution during the period		
Final dividend for 2015 paid of HK$0.40 (2015: final dividend for 2014 paid of HK$1.30) per share on 404,529,500 (2015: 402,518,700) shares	**161,812**	523,274
Dividend declared after the end of the interim reporting period		
Interim dividend for 2016 of HK$0.80 (2015: HK$1.00) per share on 406,104,633 (2015: 402,518,700) shares	**324,884**	402,519

The dividends declared after 30 June 2016 will be paid to the shareholders of the Company whose names appear on the Register of Members on 19 August 2016.

10. Earnings per share

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**493,115**	722,856

	Number of Shares (in thousands)	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	**404,712**	402,503
Effect of dilutive potential shares from the Employee Share Incentive Scheme	**468**	461
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**405,180**	402,964

Note: The computation of diluted earnings per share for both periods did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in earnings per share.

11. Trade and other receivables

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Trade receivables (Note a)	**3,728,213**	3,628,676
Amount recoverable from Siemens AG (Note b)	**19,184**	18,796
Value added tax recoverable	**285,553**	180,234
Tax reserve certificate recoverable	**370,049**	346,029
Other receivables, deposits and prepayments	**179,564**	155,418
	4,582,563	4,329,153
Less : Non-current rental deposits paid shown under non-current assets	**(27,344)**	(24,755)
	4,555,219	4,304,398

11. Trade and other receivables – continued

An aging analysis of trade receivables presented based on the due date at the end of the reporting period is as follows:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Not yet due	**2,962,065**	2,902,657
Overdue within 30 days	**406,373**	367,086
Overdue within 31 to 60 days	**144,459**	130,003
Overdue within 61 to 90 days	**58,825**	90,572
Overdue over 90 days	**156,491**	138,358
	3,728,213	3,628,676

Notes:

(a) The amount included notes receivables amounting to HK$915,839,000 (31 December 2015: HK$841,173,000).

(b) Pursuant to the Master Sale and Purchase Agreement of the Acquisition entered into between Siemens Aktiengesellschaft ("Siemens AG") and the Company, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify 13 former direct and indirect subsidiaries of Siemens AG ("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. The amount is expected to be settled in 2016.

Credit policy:

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

12. Trade and other payables

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Trade payables	**1,724,433**	954,419
Amount due to a subsidiary of a shareholder (Note)	**-**	9
Accrued salaries and wages	**228,958**	227,643
Other accrued charges	**466,692**	476,948
Deposits received from customers	**640,876**	380,224
Accrual for tax-related expense	**168,400**	168,400
Payables arising from acquisition of property, plant and equipment	**88,447**	102,513
Other payables	**138,850**	117,395
	3,456,656	2,427,551
Less : Non-current other liabilities and accruals	**(31,670)**	(37,753)
	3,424,986	2,389,798

Note: Balance represented amount due to a subsidiary of a shareholder of the Company, ASM International N.V., which is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms. The amount was settled during the current period.

An aging analysis of trade payables presented based on the due date at the end of the reporting period is as follows:

	At 30 June 2016 (Unaudited) HK$'000	At 31 December 2015 (Audited) HK$'000
Not yet due	**1,234,573**	674,109
Overdue within 30 days	**255,251**	155,052
Overdue within 31 to 60 days	**146,435**	60,314
Overdue within 61 to 90 days	**60,657**	34,303
Overdue over 90 days	**27,517**	30,641
	1,724,433	954,419

The average credit period on purchases of goods ranges from 30 to 90 days.

13. Convertible bonds

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK$2,400,000,000. Interest of 2.00% per annum will be paid semi-annually in September and March, respectively.

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK$98.21 per share. The conversion price was adjusted to HK$96.54 per share with effect from 20 May 2015 as a result of the aggregate distribution of HK$2.1 per share made by the Company to the shareholders for the year ended 31 December 2014. The conversion price was further adjusted to HK$95.23 per share with effect from 18 May 2016 as a result of aggregate distribution of HK$1.4 per share made by the Company to the shareholders for the year ended 31 December 2015. Details of the adjustments to conversion price of the convertible bonds were set out in the Company's announcements dated 13 May 2015 and 11 May 2016 respectively.

The Company will redeem the convertible bonds on the Maturity Date at their principal amount outstanding together with accrued and unpaid interest thereon.

The Company may, having given not less than 30 nor more than 60 days' notice (the "Redemption Notice"), redeem in whole, but not in part, of the convertible bonds at the principal amount together with interest accrued on such redemption date, provided that

(i) at any time after 28 March 2017 and prior to the Maturity Date, the closing price of an ordinary share of the Company, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the Redemption Notice is given was at least 130% of the conversion price, or

(ii) at any time, prior to the date the Redemption Notice is given, at least 90% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled.

The Company will, at the option of the bond holder, redeem all or some of that convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid. As the Company does not have an unconditional right to defer settlement of the convertible bonds in more than twelve months from the end of June 2016, the entire balance of liability component of the convertible bonds was classified as current liabilities as at 30 June 2016.

The bond holder may request immediate redemption of the convertible bonds at their principal amount then outstanding together with accrued interest upon occurrence of certain events. Details of the issue of convertible bonds were set out in the Company's announcement dated 4 March 2014.

On 20 May 2016, convertible bonds with principal amount of HK$150,000,000 were converted into the Company's shares at the prevailing adjusted conversion price of HK$95.23 per share. As a result, a total number of 1,575,133 shares of the Company were issued and credited as fully paid and the relevant portion of convertible bonds equity reserve of HK$16,683,000 was transferred to share premium.

13. Convertible bonds - continued

The movements of the liability component and equity component of the convertible bonds for the period are set out below:

	Liability component	Equity component	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2015 (audited)	2,176,894	266,932	2,443,826
Interest charge during the year	148,571	-	148,571
Interest paid	(48,000)	-	(48,000)
At 31 December 2015 and 1 January 2016 (audited)	**2,277,465**	**266,932**	**2,544,397**
Conversion of convertible bonds	**(144,537)**	**(16,683)**	**(161,220)**
Interest charge during the period (Note 7)	**75,884**	**-**	**75,884**
Interest paid	**(24,000)**	**-**	**(24,000)**
At 30 June 2016 (unaudited)	**2,184,812**	**250,249**	**2,435,061**

Liability component of the convertible bonds is analyzed for reporting purposes as:

	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
	HK$'000	HK$'000
Current liabilities		
Interest payable on convertible bonds (included in trade and other payables)	**11,897**	12,690
Convertible bonds	**2,172,915**	-
Non-current liabilities		
Convertible bonds	**-**	2,264,775
	2,184,812	2,277,465

REVIEW

Despite uncertain macroeconomic conditions, the improvement in bookings seen in the first quarter of this year has continued into the second quarter. In fact, the Group experienced strong order intake during the second quarter of this year. Group bookings grew to US$561.4 million, registering improvements of 37.1% quarter-on-quarter and 13.6% year-on-year.

The strong quarter-on-quarter improvement in bookings was led by the Back-end Equipment and SMT Solutions businesses. Bookings for Back-end Equipment and SMT Solutions surged by 47.7% and 43.7%, respectively. All three business segments of the Group experienced a year-on-year booking improvement.

As a result of the strong order intake, Group bookings for the first half of this year were US$970.7 million, delivering a strong improvement of 27.5 % against the preceding six-month period and a year-on-year improvement of 1.3%.

During the past three months, the Group achieved billings of US$472.8 million. It represented an improvement of 28.2% over the first quarter of this year and a small contraction of 2.5% against the same period a year ago.

Group billings for the first six months were US$841.1 million, which represented a gain of 6.0 % over the preceding six months but a contraction of 4.2% as compared to the same period last year. The contraction relative to the same period last year was due to the market experiencing a slow start to 2016 and the year-on-year contraction of the SMT Solutions billings.

In terms of geographical distribution of the Group's billings, China inclusive of Hong Kong (53.3%), Europe (16.6%), the Americas (7.8%), Malaysia (6.7%) and Taiwan (4.1%) were the top five markets for ASMPT in the first half of this year. The successful execution of our aggressive diversified market strategy saw our top five customers collectively accounted for 21.8% of our total sales during the first half of 2016, with no single customer exceeding 10%. 80% of the Group's turnover in the first six-month period came from 129 customers. Of the top 20 customers in the first half of this year, 6 were from the SMT Solutions business. Our business in the first half of this year was mainly driven by customers in the LED, CIS (CMOS Imaging Sensor) and Automotive markets as well as IDMs and Chinese OSAT customers in the semiconductor industry.

The book-to-bill ratio, representing net bookings over billings, was 1.15 for the first six months of this year. As of 30 June 2016, the order backlog was US$519.2 million, which was an increase of 19.7% from the end of the first quarter of 2016.

The profitability of the Group has continued to improve. The Group achieved a gross margin of 39.1% for the second quarter, representing improvements of 6.0% and 1.3% over the preceding quarter and the corresponding period of last year, respectively. Gross margin for the first half of this year was 36.4%, representing an improvement of 1.0% over the preceding six months and a contraction of 0.7% against the same period a year ago. The contraction was attributable to the SMT Solutions segment as its revenue for the first half of this year was significantly lower than the revenue in the corresponding period last year.

It is notable that the strategic changes implemented in the last three years have continued to contribute positively to the profitability improvement of the Group. During the second quarter of 2016, the Group's Back-end Business comprising the Back-end Equipment and the Materials segments achieved a gross margin of 38.8% while gross margin of our SMT Solutions has bounced back to 39.8%. In fact, gross margins for both Back-end Equipment segment and Materials segment achieved year-on-year as well as sequential improvement during the second quarter and the first half of this year.

REVIEW – continued

Net profits for the second quarter of 2016 were HK$354.4 million, which represented an improvement of 177.0% over the preceding quarter and a contraction of 19.1% against the same period last year due to lower revenue. During the first six months of 2016, net profits were HK$482.3 million, representing an improvement of 109.6% over the second half of 2015 and a contraction of 33.3% as compared to the first half of 2015.

As the lease of the Group's manufacturing facilities in Yantian, Shenzhen, China will expire by March 2017 and the area has been designated for re-development by the local government, the Group has decided to move the Yantian operations to the Group's existing manufacturing operations in Longgang, Shenzhen, China. We believe that the consolidation will help to improve the efficiency and logistics of the Group's manufacturing operations in Shenzhen. This relocation is expected to commence in the third quarter of this year and to be completed by the first half of 2017. A charge of HK$75.0 million arising from the relocation has been included in the Group's financial results as Restructuring Costs for the second quarter of this year. This charge comprised severance-related costs, incentives payments and other compensation to employees for relocation to new premises and the termination costs of the related facilities. The savings from the reduced headcount and consolidation of facilities are estimated to be HK$40.7 million per year.

Back-end Equipment Business

Our Back-end Equipment business performed very well during the first half of this year.

During the second quarter of this year, billings in the Back-end Equipment segment amounted to US$255.1 million, which represented a surge of 54.6% as compared to the first quarter of this year and an improvement of 6.3% over the same period a year ago.

Back-end Equipment billings for the first six months of this year were US$419.9 million, representing improvements of 1.0% and 23.4% against the same period a year ago and the preceding six months, respectively. The Back-end Equipment segment contributed to 54.0% and 49.9% of the total Group billings during the second quarter and the first half of 2016, respectively.

New order bookings for Back-end Equipment in the second quarter of this year surged by 47.7% quarter-on-quarter and rose by 22.0% year-on-year due to strong demand for some product areas. Our diversified product portfolio strategy has once again enabled the Group to deliver a robust booking performance for Back-end Equipment during the second quarter.

For the first six months, Back-end Equipment bookings surged by 48.4% against the preceding six months and increased by 8.5% as compared to the same period a year ago.

During the first half of this year, we experienced strong demand for our LED and CIS equipment. The LED market seemed to have picked up its growth momentum with LED general lighting and large display panels continuing to serve as the growth drivers in this market. Demand from IC and discrete market has also recovered strongly from the second half of last year.

REVIEW – continued

While the shipment growth rate of smartphones has come down, we noticed that phone suppliers are focusing more on providing new-generation phones to the market with better features and capabilities. This translated into demand for more advanced assembly equipment and in particular the CIS equipment. We also expect more cameras to be deployed in automobiles. Dual cameras and 3D-sensing devices will further fuel demand for CIS equipment. ASMPT has developed a comprehensive product portfolio for the assembly of CIS modules, ranging from assembly equipment such as die and wire bonders to other more advanced equipment for lens-attach, active alignment and cleaning applications. We believe CIS equipment will continue to be one of the growth drivers of our Back-end Equipment business.

Although we are only in the middle of 2016, the strong order intake that we have received during the past six months led us to project with great confidence that we should achieve full year billing improvements over 2015 for our wire bonders, CIS and laser dicing equipment.

Our investment in developing a product portfolio for Advanced Packaging market has continued to bear fruit. Currently, we are engaging with a number of key customers to provide various solutions for wafer level and panel level fan-out packaging. ASMPT participates in this market with an extensive product portfolio that includes NUCLEUS and SIPLACE CA for pick and place process, ALSI laser dicing system for wafer grooving and package singulation, ORCAS for wafer encapsulation, DEK printer, and SUNBIRD for pick, test, inspect and pack. This unique and extensive product portfolio has expanded ASMPT's serviceable available market ("SAM") in the Back-end Equipment market and well positioned the Group to capture future growth opportunity.

At the same time, the Group continues to expand its reach in the automotive electronics, the power management module, the System-in-Package ("SiP") and the Internet of Things ("IoT") markets.

Overall, we believe that our Back-end Equipment business is moving on the right track, which is to have a balanced coverage and efforts devoted between the emerging advanced packaging and the mainstream interconnection technologies, as well as in application-specific markets like LED, CIS, power management, automotive and IoT.

During the second quarter of this year, the Back-end Equipment segment achieved a gross margin of 44.1%, which is the best gross margin in the past twenty quarters. It represented improvements of 4.3% and 3.1% over the preceding quarter and the same period last year, respectively. The Back-end Equipment business achieved a gross margin of 42.5% during the first half of this year, representing improvements of 2.1% and 4.2% over the first and second half of 2015, respectively. This business achieved segment results of 22.5% and 18.5% for the second quarter and the first six months this year, respectively. It represented significant improvements of 10.2% and 11.2% over the preceding quarter and the second half of last year, respectively. It demonstrated that the strategic changes that we have initiated in the past three years are bearing fruit. Our strategy of building a more flexible workforce and increasing the ratio of external manufacturing has stabilised the gross margin of this business segment. With our continuing cost reduction efforts, the profitability of Back-end Equipment segment has continued to improve.

REVIEW – continued

Materials Business

In the second quarter, Materials billings were US$61.8 million, representing a quarter-on-quarter improvement of 12.0% and a year-on-year improvement of 7.1%.

Materials billings for the first six-month period of this year were US$116.9 million, representing improvements of 10.0% and 2.1% against the preceding six months and the same period a year ago, respectively. The Materials segment contributed to 13.1% and 13.9% of the total Group billings during the second quarter and the first half of 2016, respectively.

On a six-month basis, bookings for Materials segment improved by 9.1% and 11.0% against the preceding six-month period and the same period last year, respectively.

During the second quarter, new order bookings for Materials segment grew by 3.4% year-on-year but contracted by 9.8% quarter-on-quarter. The quarter-on-quarter contraction in booking is partially due to the extraordinary strong bookings received in the first quarter of 2016. The year-on-year booking growth during the second quarter as well as for the first six months of this year showed a more consistent trend.

The Materials segment continued to make moderate progress in improving its gross margin and profitability. The Materials segment achieved gross margins of 16.5% during the second quarter as well as the first half of this year, respectively. It represents year-on-year improvement of 1.1% over the second quarter and the first half of last year, respectively. Segment result was 10.4% and 9.9% for the second quarter and the first half of this year respectively, representing year-on-year improvements of 1.4% and 0.7%.

SMT Solutions Business

SMT Solutions billings were US$155.9 million in the second quarter of this year, representing an improvement of 4.9% as compared to the first quarter of this year but a contraction of 16.7% against the same period a year ago.

For the six-month period, the SMT Solutions segment billings were US$304.3 million, representing contractions of 12.5% and 12.2% as compared to the first half of 2015 and the preceding six months, respectively. The SMT Solutions segment contributed to 32.9% and 36.2% of the total Group billings during the second quarter and the first half of 2016, respectively.

New order bookings for the SMT Solutions segment for the six-month period improved by 12.1% over the preceding six months but contracted by 9.9% as compared to the same period last year. These contractions were not unexpected as the SMT equipment market typically lags behind the Back-end equipment market by one to two quarters.

New order bookings during the second quarter of this year improved by 43.7% and 6.4% as compared to the preceding quarter and the same period a year ago, respectively. We are encouraged by the quarter-on-quarter as well as year-on-year booking improvements achieved during the second quarter of this year.

Our SMT Solutions segment achieved gross margins of 39.8% and 35.8% during the second quarter and the first half of this year, respectively. It represents a significant improvement of 8.1% as compared to the first quarter of this year. The strong quarter to quarter improvement was mainly due to a favourable product mix and a release of warranty provision – a result of continuous improvement in quality and reliability.

REVIEW – continued

Research and Development

During the past six months, ASMPT continued to invest relentlessly in research and development, thereby maintaining a valuable competitive edge over its peers.

Research and development expenses for the period were HK$576.9 million, of which 42.1% was spent on the SMT Solutions Business. As of 30 June 2016, the Group operates six research and development centres worldwide in Hong Kong and Chengdu (China), Singapore, Munich (Germany), Weymouth (the United Kingdom) and Beuningen (the Netherlands) with approximately 1,700 global talents engaged in research and development.

The Group's research and development capability and capacity are important core competences of the Group. With a combination of its depth and breadth of expertise and knowledge, the Group has the necessary requisites to be the preferred partner of its customers when taking on new packaging challenges.

Our strategic engagement with key customers to develop new technologies like Thermos-Compression Bonding (TCB), active alignment equipment for CIS applications and wafer level/panel level fan out applications are yielding positive results. Customers are attracted by ASMPT's breadth and depth of enabling technologies, strong financial resources, and excellent market network and infrastructure support. We believe that our strong R&D competence will increasingly differentiate the Group from its peers and put ASMPT at the forefront of technological innovations as well as capturing market opportunities ahead.

LIQUIDITY AND FINANCIAL RESOURCES

Return on capital employed and on sales were 8.2% and 10.8% respectively for the six-month period of this year.

Our ending inventory as of 30 June 2016 rose to HK$4.22 billion, as compared to HK$3.48 billion as of 31 December 2015, mainly due to an increase in our production activities on the back of increased demand. Our annualised inventory turnover was 3.39 times (first half of 2015: 3.45 times)

Days sales-outstanding decreased to 103.9 days from 108.4 days in the second half of 2015. Return on invested capital for the past six months was 15.2 % (annualised).

Capital expenditure ("capex") in the first six months was HK$174.6 million, which was fully funded by the depreciation and amortisation of HK$224.0 million for the same period. After paying last year's final dividend totalling HK$161.8 million in May, funding capital investments and paying off some bank loans in the first half of 2016, cash and bank deposits as of 30 June 2016 were HK$2.75 billion, which was HK$479.2 million higher than six months ago. Our current ratio stands at 1.83, and we have a debt-equity ratio of 28.2% (debt represents all bank borrowings and convertible bonds).

Bank borrowings, which are mainly arranged to support day-to-day operations and to finance our growth activities, are denominated in U.S. dollars. The Group used the net proceeds of the convertible bonds, which were denominated in Hong Kong dollars, raised in year 2014 with an annual coupon of 2.00%, and due in 2019, to fund the acquisition of the DEK business and other working capital requirements. Cash holdings of the Group are mainly in U.S. dollars, Euros, Chinese renminbi and Hong Kong dollars. The Group's SMT Solutions Business segment enters into U.S. dollar 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 is denominated in U.S. dollars.

After considering the near to mid-term cash flow need for the Company, the Board recommends a dividend of HK$0.80 per share, representing a payout ratio of 65.9%.

HUMAN RESOURCE

As of 30 June 2016, the total headcount of the Group worldwide was approximately 14,800 employees including 259 temporary or short-term contract staff. Approximately 70.1% is in China, 9.5% in Singapore, 6.3% in Germany, 5.9% in Malaysia, and 3.2% in the United Kingdom.

ASMPT recognises that human resource is one of the Group's most important assets. Hence, we continue to adopt a proactive approach to attract, develop and retain people with the right aptitude and abilities to meet current and future organisational needs. Besides offering competitive remuneration packages, the Group is also committed to providing specialised yet demanding staff development and training programmes. In addition to annual salary and remuneration, 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.

Total human resource costs for the first six months of 2016 were HK$1.91 billion, as compared to HK$1.96 billion for the same period in 2015. This year, the Board granted a total of 2,501,100 incentive shares to 1,295 employees, inclusive of the three Executive Directors of the Company. The vesting period of these incentive shares will end on 15 December 2016.

PROSPECTS

While the market has been developing in line with our expectations to date, we remain concerned, however, about the uncertain macro-economic outlook, and, in particular, the effect of Brexit on global demand. If the global economic uncertainty continues, customers may potentially curtail their investments. This would in turn affect our business ahead.

Assuming that the macro-economic conditions are not going to have a significant impact on our business in the second half of this year, we believe that the Group stands a fair chance to achieve full year billings improvement over last year.

With a strong backlog on hand, unless our customers' confidence towards the market deteriorates significantly due to the uncertain macro-economic conditions, we expect Group billings in the third quarter of this year to achieve a double-digit percentage improvement over the preceding quarter and a strong improvement against the same period last year. We expect a seasonal decline in bookings in the third quarter of this year after a strong booking performance in the preceding quarter.

We believe that our strategic transformation efforts will continue to deliver sustainable results over the long term. The Group has successfully built SMT Solutions as the second engine of growth and harnessed the synergies that we have envisaged. We have also addressed the structural cost issues in the Back-end Equipment business. Through continuous efforts, we have significantly reduced gross margin fluctuation that was the result of revenue volatility while improving the profitability of the Back-end Equipment business relative to previous years. We have developed a comprehensive product portfolio for advanced packaging applications which well positions the Group to capture growth opportunities and increase market share. To stay ahead of the curve, the Group invested in advanced packaging materials business late last year. This investment will contribute positively to the profitability and revenue growth of the Materials Business segment. With all the ground work done over the past few years, the Group is well prepared to capture market opportunities ahead and enjoy the fruits of its effort.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2016.

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

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors and one Non-Executive Director who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 in conjunction with the Company's external auditor.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that a professional trustee of 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 332,400 shares in the Company. The cost of purchase of these shares is about HK$22 million.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Miss Orasa Livasiri (Chairman), Mr. John Lok Kam Chong, Mr. Wong Hon Yee, Mr. Eric Tang Koon Hung and Mr. Patrick Shuang Kung as Independent Non-Executive Directors, Mr. Arthur H. del Prado (Emeritus Chairman), Mr. Charles Dean del Prado and Mr. Petrus Antonius Maria van Bommel as Non-Executive Directors, and Mr. Lee Wai Kwong, Mr. James Chow Chuen and Mr. Robin Gerard Ng Cher Tat as Executive Directors.

On behalf of the Board
Lee Wai Kwong
Director

Hong Kong, 28 July 2016