



# **ASM PACIFIC TECHNOLOGY LIMITED**

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

**(Stock Code: 0522)**

## **ANNOUNCEMENT OF 2008 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008**

### ***ASMPT Reports Another Quarter of Record Performance Amid Uncertain Global Economy***

- *Group turnover of US\$376 million for the first six months of 2008, an increase of 23.3% over the same period last year and a sequential decline of 3.0% from the record billing achieved in the preceding six months*
- *Profit of HK\$675 million for the first half of 2008, an increase of 23.5% over the same period last year and earnings per share of HK\$1.73*
- *Record Group turnover of US\$206 million in second quarter 2008, a sequential growth of 22.1% over the preceding quarter and an increase of 14.0% over the same period last year*
- *Record quarterly equipment turnover of US\$164 million in second quarter 2008, achieving 25.2% growth over the preceding quarter and 11.5% growth over same period last year*
- *Record quarterly leadframe turnover of US\$42 million in second quarter 2008, achieving 11.3% growth over the preceding quarter and 24.8% growth over same period last year*
- *Group new order bookings of US\$207 million in second quarter 2008, an increase of 17.5% sequentially over the preceding quarter*
- *Retained the world's No.1 position in semiconductor assembly and packaging equipment industry held since 2002*
- *Cash on hand of HK\$703 million at the end of June 2008*

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the six months ended 30 June 2008:

## **RESULTS**

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASM”) reported a turnover of HK\$2,927 million for the six months ended 30 June 2008, representing an increase of 23.3% as compared with HK\$2,374 million for the same period last year and a 3.0% decrease when compared with the record turnover of HK\$3,019 million for the preceding six-month period. The Group’s consolidated profit after taxation for the six months is HK\$675 million which is 23.5% higher than the corresponding period in 2007 and 6.7% lower than the record set in the preceding six-month period. Basic earnings per share (EPS) for the half-year period amounted to HK\$1.73 (first half of 2007: HK\$1.41, second half of 2007: HK\$1.85).

## **DIVIDEND**

In view of the Company’s continuing strong liquidity and rising equity base, the Board of Directors has resolved to pay an interim dividend of HK\$0.90 (2007: HK\$0.70) and a special dividend of HK\$0.50 (2007: HK\$0.60) per share. Despite giving out high dividends and continual expansion of our production capacity in the past few years, the Company continues to generate strong positive cash flow. This allows ASM to continue to adopt the prudent policy, as stated in the past several financial result announcements, of returning current excessive cash holdings to our shareholders while continuing to operate the Group with the optimal shareholders’ fund. Having established its leadership position in the microelectronics market over the years, ASM intends to further its organic growth path in the near term not only by enlarging market share with its high-performance, diversified products but also by moving into untapped market space that provides the opportunity for highly profitable growth. There is no short term need for major cash outlay for the Group.

The Register of Members will be closed from 18 August 2008 to 21 August 2008, both days inclusive. In order to qualify for the interim and special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:00 p.m. on 15 August 2008. The interim and special dividend will be paid on or about 28 August 2008.

# CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
	<i>Notes</i>		
Turnover	1	2,927,222	2,373,634
Cost of sales		(1,663,697)	(1,358,309)
Gross profit		<u>1,263,525</u>	1,015,325
Other income		13,342	16,648
Selling expenses		(238,418)	(192,453)
General and administrative expenses		(94,200)	(85,535)
Research and development expenses		(173,979)	(149,039)
Finance costs		(1)	(71)
Profit before taxation		<u>770,269</u>	604,875
Income tax expense	3	(95,677)	(58,475)
Profit for the period		<u>674,592</u>	546,400
Dividend paid	4	<u>585,942</u>	466,607
Dividend declared	4	<u>546,879</u>	505,491
Earnings per share	5		
- Basic		<u>HK\$1.73</u>	HK\$1.41
- Diluted		<u>HK\$1.72</u>	HK\$1.40

# CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		997,915	995,963
Prepaid lease payments		9,107	9,255
Deposit paid for acquisition of property, plant and equipment		38,636	31,401
Deferred tax assets		3,852	4,140
		<b>1,049,510</b>	<b>1,040,759</b>
<b>Current assets</b>			
Inventories		1,080,021	912,347
Trade and other receivables	6	1,470,316	1,328,748
Prepaid lease payments		520	514
Bank balances and cash		702,688	778,183
		<b>3,253,545</b>	<b>3,019,792</b>
<b>Current liabilities</b>			
Trade and other payables	7	980,744	921,580
Taxation		242,582	187,324
		<b>1,223,326</b>	<b>1,108,904</b>
<b>Net current assets</b>		<b>2,030,219</b>	<b>1,910,888</b>
		<b>3,079,729</b>	<b>2,951,647</b>
<b>Capital and reserves</b>			
Share capital		39,063	39,063
Dividend reserve		546,879	585,942
Other reserves		2,493,065	2,325,114
<b>Equity attributable to equity holders of the Company</b>		<b>3,079,007</b>	<b>2,950,119</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		722	1,528
		<b>3,079,729</b>	<b>2,951,647</b>

Notes:

## 1. Segment Information

### *Business segments*

	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover		
Equipment	<b>2,306,041</b>	1,917,021
Leadframe	<b>621,181</b>	456,613
	<b>2,927,222</b>	2,373,634
Result		
Equipment	<b>709,536</b>	562,514
Leadframe	<b>53,369</b>	26,475
	<b>762,905</b>	588,989
Interest income	<b>7,365</b>	15,957
Finance costs	<b>(1)</b>	(71)
Profit before taxation	<b>770,269</b>	604,875
Income tax expense	<b>(95,677)</b>	(58,475)
Profit for the period	<b>674,592</b>	546,400

### *Geographical segments by location of market*

	<b>Turnover</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Mainland China	<b>1,053,617</b>	803,096
Taiwan	<b>570,455</b>	502,709
Malaysia	<b>379,382</b>	297,193
Hong Kong	<b>190,137</b>	160,436
Korea	<b>162,908</b>	188,739
Thailand	<b>132,346</b>	131,565
Philippines	<b>120,959</b>	86,716
United States of America and Latin America	<b>92,592</b>	68,690
Japan	<b>85,202</b>	33,014
Singapore	<b>67,599</b>	46,589
Europe	<b>50,001</b>	41,917
Indonesia	<b>13,615</b>	10,260
Others	<b>8,409</b>	2,710
	<b>2,927,222</b>	2,373,634

## 2. Depreciation

During the period, depreciation of HK\$108.0 million (HK\$93.0 million for the six months ended 30 June 2007) was charged to profit or loss in respect of the Group's property, plant and equipment.

## 3. Income Tax Expense

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong Profits Tax	86,001	55,352
Taxation in other jurisdictions	10,364	5,007
	<u>96,365</u>	<u>60,359</u>
Deferred taxation		
- current period	(740)	(1,884)
- attributable to a change in tax rate	52	-
	<u>(688)</u>	<u>(1,884)</u>
	<u>95,677</u>	<u>58,475</u>

Hong Kong Profits Tax has been calculated at 16.5% (17.5% for the six months ended 30 June 2007) of the estimated assessable profit for the period.

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

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

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

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the period ended 30 June 2008 seeking information relating to Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiry might lead to additional tax being charged on profits from some overseas subsidiaries that have not previously been included in the scope of charge for Hong Kong Profits Tax. The Group purchased tax reserve certificates amounting to HK\$73,000,000.

### 3. Income Tax Expense (continued)

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

### 4. Dividends

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>Dividend paid during the period</u>		
Final dividend paid for 2007 of HK\$1.10 (2006: HK\$1.00) per share on 390,628,000 (2006: 388,839,000) shares	<b>429,691</b>	388,839
Second special dividend paid for 2007 of HK\$0.40 (2006: HK\$0.20) per share on 390,628,000 (2006: 388,839,000) shares	<b>156,251</b>	77,768
	<b>585,942</b>	466,607
<u>Dividend declared after the period end</u>		
Interim dividend of HK\$0.90 (2007: HK\$0.70) per share on 390,628,000 (2007: 388,839,000) shares declared	<b>351,565</b>	272,188
First special dividend of HK\$0.50 (2007: HK\$0.60) per share on 390,628,000 (2007: 388,839,000) shares declared	<b>195,314</b>	233,303
	<b>546,879</b>	505,491

The dividends will be paid to the shareholders of the Company whose names appear on the Register of Members on 21 August 2008.

## 5. Earnings per share

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

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>674,592</b>	546,400
	<b>Number of shares (in thousand)</b>	
Weighted average number of shares for the purposes of basic earnings per share	<b>390,628</b>	388,839
Effect of dilutive potential shares from the Employee Share Incentive Scheme	<b>588</b>	539
Weighted average number of shares for the purposes of diluted earnings per share	<b>391,216</b>	389,378

## 6. Trade and other receivables

	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Trade receivables	<b>1,285,206</b>	1,199,619
Other receivables, deposits and prepayments	<b>112,110</b>	82,129
Tax reserve certificate recoverable	<b>73,000</b>	47,000
	<b>1,470,316</b>	1,328,748

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

Not yet due	<b>784,361</b>	779,057
Overdue within 30 days	<b>259,378</b>	212,449
Overdue within 31 to 60 days	<b>131,972</b>	90,183
Overdue within 61 to 90 days	<b>37,159</b>	60,976
Overdue over 90 days	<b>72,336</b>	56,954
	<b>1,285,206</b>	1,199,619

## 6. Trade and other receivables (continued)

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

## 7. Trade and other payables

	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
Trade payables	599,195	564,210
Other payables and accrued charges	381,250	356,661
Amounts due to ASM International N.V. group companies - trade (Note)	299	709
	<u>980,744</u>	<u>921,580</u>

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

Not yet due	325,786	381,608
Overdue within 30 days	144,406	147,105
Overdue within 31 to 60 days	119,988	32,360
Overdue within 61 to 90 days	5,915	2,667
Overdue over 90 days	3,100	470
	<u>599,195</u>	<u>564,210</u>

Note: Amounts due to ASM International N.V. group companies are unsecured, non-interest bearing and repayable according to normal trade terms.

## REVIEW

The dismal macroeconomic conditions which were experienced in the past year do not seem to have improved, and may even have worsened. There is still no end in sight for the credit crunch brought about by the US sub-prime mortgage crisis. Oil prices continue to set new records against the background of strong global energy demands and the risks to oil supplies from major oil-producing countries. Meanwhile, the situation is further aggravated by high rates of inflation and rising food prices.

Amidst the pervasive gloom and uncertainty hanging over the world economy, the management is pleased to have presided over very robust growth for the Company during the last two quarters. In 2008, our first quarter growth was uncharacteristically strong in comparison with our traditional first quarter earnings. In the second quarter of 2008, the Company has done even better, achieving record turnover for the Group, as well as for our Equipment and Leadframe product segments. Notably, the improvement in the second quarter represents strong double-digit growth over the first quarter of this year. The results in the first six months of 2008 are significantly better than in the corresponding first six months of 2007, although there is a small single digit percentage decline as compared to the record second-half turnover of 2007.

In the first half of 2008, we noticed that although some major subcontractors were conservative in their capital expenditure, this was more than compensated for by IDMs and other subcontractors which continued to expand their production capacity.

Thus, our order inflows and billings for both Equipment and Leadframe have shown solid increases going into the second quarter. We saw improved performance across all our major product lines. We achieved a Group turnover of US\$376 million and a profit of HK\$675 million during the past six months, reflecting further gains in market share and demonstrating our capability to adapt and to respond quickly to changes in market conditions. Return on capital employed and on sales was 25% and 26.1% respectively for the six-month period.

During the same period, our book to bill ratio, representing net bookings over billings, was 1.02. Despite achieving record shipments in the second quarter, our ending order backlog as of 30 June 2008 was in excess of US\$156 million (US\$150 million as of 31 December 2007 and US\$156 million as of 31 March 2008). Our book to bill ratio for the second quarter was 1.0, mainly as a result of our strong order inflows vis-à-vis the high billings which we achieved in the second quarter. New order booking in the second quarter of 2008 was US\$207 million, a sequential increase of 17.5% over Q1 2008. This level of order inflows is only 0.8% below the record which we attained in the last quarter of 2007.

ASM's diversification of its product and application markets, which is reinforced by its efficient cost structure and ongoing successful introduction of technologically-advanced new products, underpins its success. During the first half of 2008, sales attributable to our five largest customers combined were 17.9% of the total, with no customer exceeding 10%, demonstrating the continuing success of our aggressively diversified market strategy. We also enjoyed a good geographical spread mirroring the investment trends in the industry, with Mainland China maintaining its top position, increasing its share from 33.8% a year earlier to 36.0% now. Mainland China is followed by Taiwan (19.5%) and Malaysia (13.0%). Their relative market positions have remained unchanged over the past few years. The diversified product and geographic portfolio continue to be one of ASM's strengths. The Group's stellar financial performance in recent years provides clear evidence of the growing acceptance of our products by a larger pool of customers. 80% of the Group's turnover in the six-month period came from 97 customers.

During the first six months of 2008, Equipment revenues were US\$296 million, equivalent to 78.8% of the Group's turnover, an increase of 20.3% and a decrease of 3.6% over the first and second six months period in 2007 respectively. Equipment revenue achieved a new record of US\$164 million in the second quarter of 2008, representing an increase of 25.2% over the preceding quarter and 11.5% over same period last year.

With improved market demand, gain in market share and the expanded production capacity in our China and Malaysian plants, our Leadframe business achieved revenues of US\$80 million, representing 21.2% of the Group's turnover during the first half of 2008, an increase of 36.0% and a decrease of 0.9% over the first and second half of 2007 respectively. Our Leadframe business achieved a new record turnover of US\$42 million in the second quarter of 2008, representing an increase of 11.3% over the preceding quarter and 24.8% over same period last year. Clearly the strategic realignment of our Leadframe operations has yielded dividends.

During the first half of 2008, we are also starting to see the positive results of the major investments which we have made in our Back End Products (BEP) business group. In particular, market acceptance of our encapsulation machines and test-handlers are at unprecedented high levels. In time to come, we hope to see our BEP business group emulating the recent success of our Leadframe business and becoming one of our main revenue contributors and a leading pillar for supporting the Company's future business growth.

There have been no major investments to expand our production capacity in the first half of 2008. Therefore, the above record sales have primarily been supported by the investments which we have made in the preceding years, which are now bearing fruit. Our continued strong progress as evidenced by yet another set of records demonstrates that our internal growth strategy remains acutely relevant to the Company and continues to work in our favour. Satisfying the diverse demands of today's package types and applications comes at a price, and that price is the requirement for multiple platforms in almost any assembly process, such as our gold wire bonder, die bonder, aluminum wire bonder, flip chip bonder, LED die sorter, encapsulation system, package singulation system and test handler products. While it is essential that we provide short delivery times to our customers for standard products, the combined effect of a wider range of products, higher production run-rates, multiple platforms and new product introductions led to higher work-in-process and raw materials inventories as compared with six months ago. With more pipeline materials to address customer orders, our ending inventory as of 30 June 2008 increased to HK\$1,080 million (HK\$912 million as of 31 December 2007), with an annualized inventory turn of 5.9 times (2007: 6.5 times).

With our diligent collection efforts, days sales-outstanding was improved slightly to 80 days from 81 days in 2007. Our sound working capital management has resulted in a free cash flow of HK\$409 million and a return on invested capital of 28.4% during the past six months.

After paying last year's final and second special dividends totaling HK\$586 million in April and funding capital investments of HK\$108 million in the first half of 2008, cash on hand as of 30 June 2008 was HK\$703 million, which was HK\$75 million lower than six months ago mainly due to the increase in working capital to cope with the strong order inflows. Our current ratio stands at 2.66, with zero long-term debt or bank borrowing, and a debt-equity ratio of only 39.8%. With no short-term needs and an on-going positive cash flow from organic growth operations, these figures permit ASM's management to recommend a sustained high level of dividends to return the excessive cash holdings to our shareholders.

## PROSPECTS

The challenges faced by the world economy do not appear to have severely affected the semiconductor industry at this time. Major analysts have forecasted that the key end markets that drive demand for semiconductors will continue to be healthy for the rest of 2008. Sales of personal computers, the largest single market for semiconductors, continue to be strong, especially in emerging markets. Furthermore, the cell phone and microprocessor markets are predicted to grow. However, there is fear that the main weakness will be in the memory sector (especially DRAM), which continues to face price pressures and may bring down the overall growth rate of the semiconductor market.

Despite the positive forecasts, the current visibility continues to be poor, although we remain of the view that the longer-term prospects for the semiconductor industry will be bright. Although ASM has turned in yet another instance of record quarterly turnover, it does not necessarily indicate an improvement in the semiconductor industry as such. The potential volatility in 2008 is still high. If as feared, consumers are under financial pressure due to high oil prices, the housing downturn and tight credit, then consumer confidence and spending may decline. Weakness in demand for consumer devices may in turn trigger cutbacks in capital expenditure and increases the risk to growth in the semiconductor industry. Recently some analysts trimmed down their forecast for the semiconductor assembly and packaging equipment industry and predicted a decline of the market in the range of 15% ~ 18% for 2008, followed by a rebound in 2009.

Nevertheless, our record performance in the second quarter is very encouraging. Given that our improvement in results has far outpaced any growth in the overall semiconductor industry, this indicates that ASM is likely to be gaining market share at the expense of its competitors. The strong new order backlog as of the end of the second quarter gives us additional dynamic impetus for continue solid performance for the remainder of 2008. This shows that, despite the above uncertainties, our multiple-application and multiple-product strategies continue to serve us well, allowing us to grow from strength to strength through both the good and bad times, whereas our major competitors are seeing declining or flat growth.

The launch of our technologically-advanced Eagle Xtreme™ gold wire bonder has been well-accepted by our customers. We aim to make production deliveries to customers in the second half of 2008.

Following the announcement of our intention to set up a third research and development (R&D) centre to supplement the existing R&D centres in Hong Kong and Singapore, we have decided to locate the R&D centre in Chengdu, which is situated in Sichuan province, China. The new R&D centre is expected to be operational within the second half of 2008. We anticipate that it will offer us further options for optimizing our valuable R&D resources and enhance our R&D capacity and capabilities in the coming years.

While we believe the uncertainty in market conditions will remain for some time and there is nothing much we can do as a company to change it, the best preparation is to make the Company as dynamic as possible. The winners in such an economic situation are those who can react fastest to changing marketing dynamics and those who have the necessary financial resources to last the potential winter. Over the years we have accumulated a wealth of technologies and gathered a vast pool of talent at ASM. Our track record of successfully executing ASM's customer-centric business strategy needs no elaboration. The broad customer base coming from various application markets, the diversified product offerings and the industry's most efficient cost structure are ASM's sustainable competitive advantages,

and we intend that they will remain so into the future. Furthermore, ignoring short-term sales fluctuation in favour of long-term growth, ASM has consistently committed 10% of our Equipment sales to R&D — US\$287 million in the past ten years and made substantial capital investments — US\$268 million in the last decade — to position the Group advantageously in the global market. The battle for market share is an arduous struggle with no quarter given, and in general the outcome will favour companies with richer resources, both human and material. Given our strengths in these areas, it is management's belief that ASM will continue to outperform our industry peers and maintain our leading position in the foreseeable future.

## **CORPORATE GOVERNANCE**

The Group has complied with all the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2008 except the following deviation:

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

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

## **AUDIT COMMITTEE**

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

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2008 in conjunction with the Company's external auditors.

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

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

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board comprises Mr. Arthur H. del Prado (Chairman), Mr. Peter Lo Tsan Yin (Vice Chairman), Mr. Lee Wai Kwong, Mr. James Chow Chuen and Mr. Eric Tang Koon Hung as Executive Directors, Mr. Arnold J.M. van der Ven as Non-executive Director and Miss Orasa Livasiri, Mr. Robert Lee Shiu Hung and Mr. John Lok Kam Chong as Independent Non-executive Directors.

On behalf of the Board  
Lee Wai Kwong  
Director

Hong Kong, 31 July 2008