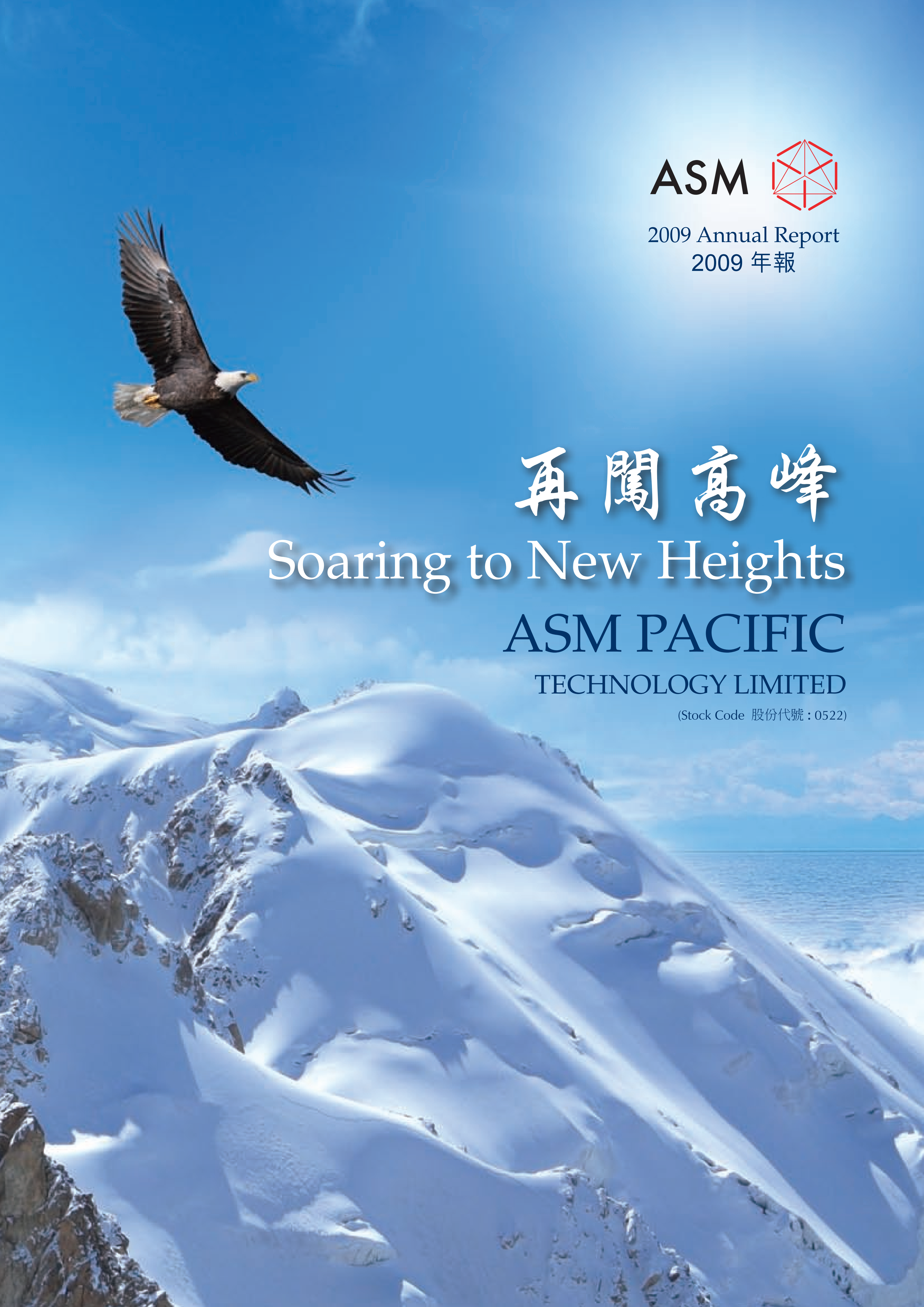
ASM

2009 Annual Report
2009 年報

再闖高峰
Soaring to New Heights

ASM PACIFIC TECHNOLOGY LIMITED

(Stock Code 股份代號 : 0522)



ASM's Performance in Year 2009

Q4 2009

- Record quarterly Group turnover of US$227 million, a growth of 12.2% over the previous quarter and 115.5% over the same period a year ago
- Record quarterly profit of HK$459 million and earnings per share of HK$1.17, a growth of 14.6% over the previous quarter and 1,343.2% over the same period a year ago
- Record quarterly equipment turnover of US$180 million, achieving 12.2% growth over the preceding quarter and 129.2% growth over the same period previous year
- Record quarterly lead frame turnover of US$47 million, achieving 12.1% growth over the preceding quarter and 74.8% growth over the same period previous year
- Record quarterly new order bookings of US$284 million, an increase of 21.8% sequentially over the preceding quarter

Second Half 2009

- Record half yearly Group turnover of US$429 million, a growth of 135.8% over the previous six months and 42.5% over same period a year ago
- Record half yearly profit of HK$861 million and earnings per share of HK$2.19, a growth of 1,048.9% over the 1st half year and 187.7% over the same period a year ago
- Record half yearly equipment turnover of US$341 million, achieving 164.8% growth over the preceding half year and 46.9% growth over the same period a year ago
- Record half yearly lead frame turnover of US$88 million, achieving 65.5% growth over the preceding half year and 27.8% growth over the same period a year ago
- Record half yearly new order bookings of US$518 million, an increase of 106.2% sequentially over the preceding half year

Fiscal Year 2009

- Group turnover of US$611 million, a reduction of 10.0% over 2008
- Profit of HK$935 million and earnings per share of HK$2.38, a reduction of 3.9% over the previous year
- Equipment turnover of US$470 million, a decline of 11.3% year on year
- Lead frame turnover of US$141 million, a decline of 5.3% year on year
- Record new order booking of US$769 million, a growth of 33.1% over 2008
- Retained the world's No. 1 position in the assembly and packaging equipment industry held since 2002
- With zero debt and record cash on hand of HK$1,254 million at the end of December 2009

ASM於二零零九年之業績表現

二零零九年第四季度

- 集團季度營業額創新高達2.27億美元，較前一季度增長12.2%及較去年同期增長115.5%
- 季度盈利創新高達港幣4.59億元，每股盈利為港幣1.17元，較前一季度增長14.6%及較去年同期增長1,343.2%
- 設備業務的季度營業額創新高達1.80億美元，較前一季度增長12.2%及較去年同期增長129.2%
- 引線框架業務的季度營業額創新高達四千七百萬美元，較前一季度增長12.1%及較去年同期增長74.8%
- 季度新增訂單總額創新高達2.84億美元，較前一季度持續增加21.8%

二零零九年下半年度

- 集團半年度營業額創新高達4.29億美元，較前六個月增長135.8%及較去年同期增長42.5%
- 半年度盈利創新高達港幣8.61億元，每股盈利為港幣2.19元，較上半年增長1,048.9%及較去年同期增長187.7%
- 設備業務的半年度營業額創新高達3.41億美元，較前半年增長164.8%及較去年同期增長46.9%
- 引線框架業務的半年度營業額創新高達八千八百萬美元，較前半年增長65.5%及較去年同期增長27.8%
- 半年度新增訂單總額創新高達5.18億美元，較前半年持續增加106.2%

二零零九年財政年度

- 集團營業額達6.11億美元，較二零零八年減少10.0%
- 盈利為港幣9.35億元，每股盈利為港幣2.38元，較去年減少3.9%
- 設備業務的營業額為4.70億美元，較去年減少11.3%
- 引線框架業務的營業額為1.41億美元，較去年減少5.3%
- 新增訂單總額創新高達7.69億美元，較二零零八年增加33.1%
- 自二零零二年穩佔全球裝嵌及包裝設備行業第一位
- 於二零零九年十二月底的負債為零，現金結存創新高達港幣12.54億元

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Corporate Information

Directors

Executive Directors:
Arthur H. del Prado, Chairman
Lo Tsan Yin, Peter, Vice Chairman
Lee Wai Kwong
Chow Chuen, James

Non-executive Director:
Robert A. Ruijter

Independent Non-executive Directors:
Orasa Livasiri
Lee Shiu Hung, Robert
Lok Kam Chong, John

Principal Bankers

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

Auditor

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

Secretary

So Sau Ming

Registered Office

Caledonian House
George Town
Grand Cayman
Cayman Islands

Principal Place of Business

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

Share Registrars and Branch Register Office

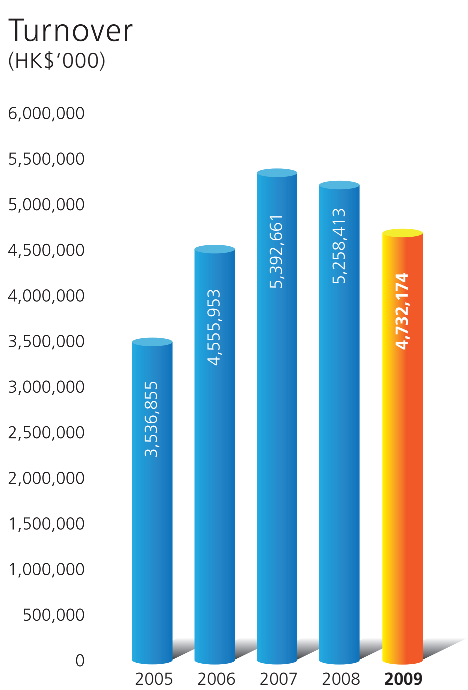
Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

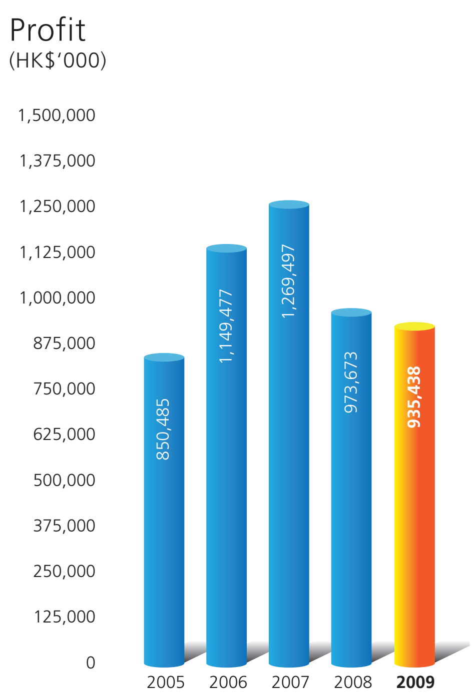
Company Website and Contact

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

Financial Highlights

	Year ended 31 December	
	2009	2008
	HK$'000	HK$'000
Turnover	**4,732,174**	5,258,413
Cost of sales	**(2,776,579)**	(3,163,227)
Gross profit	**1,955,595**	2,095,186
Other income	**7,729**	11,833
Selling and distribution expenses	**(417,324)**	(465,509)
General and administrative expenses	**(166,509)**	(195,751)
Research and development expenses	**(307,467)**	(358,734)
Other losses and gains	**(6,254)**	16,541
Finance costs	**–**	(2)
Profit before taxation	**1,065,770**	1,103,564
Income tax expense	**(130,332)**	(129,891)
Profit for the year	**935,438**	973,673
Exchange differences on translation of foreign operations, representing other comprehensive income (expense) for the year	**2,338**	(13,825)
Total comprehensive income for the year	**937,776**	959,848
Earnings per share		
– Basic	**HK$2.38**	HK$2.49
– Diluted	**HK$2.37**	HK$2.48





Results

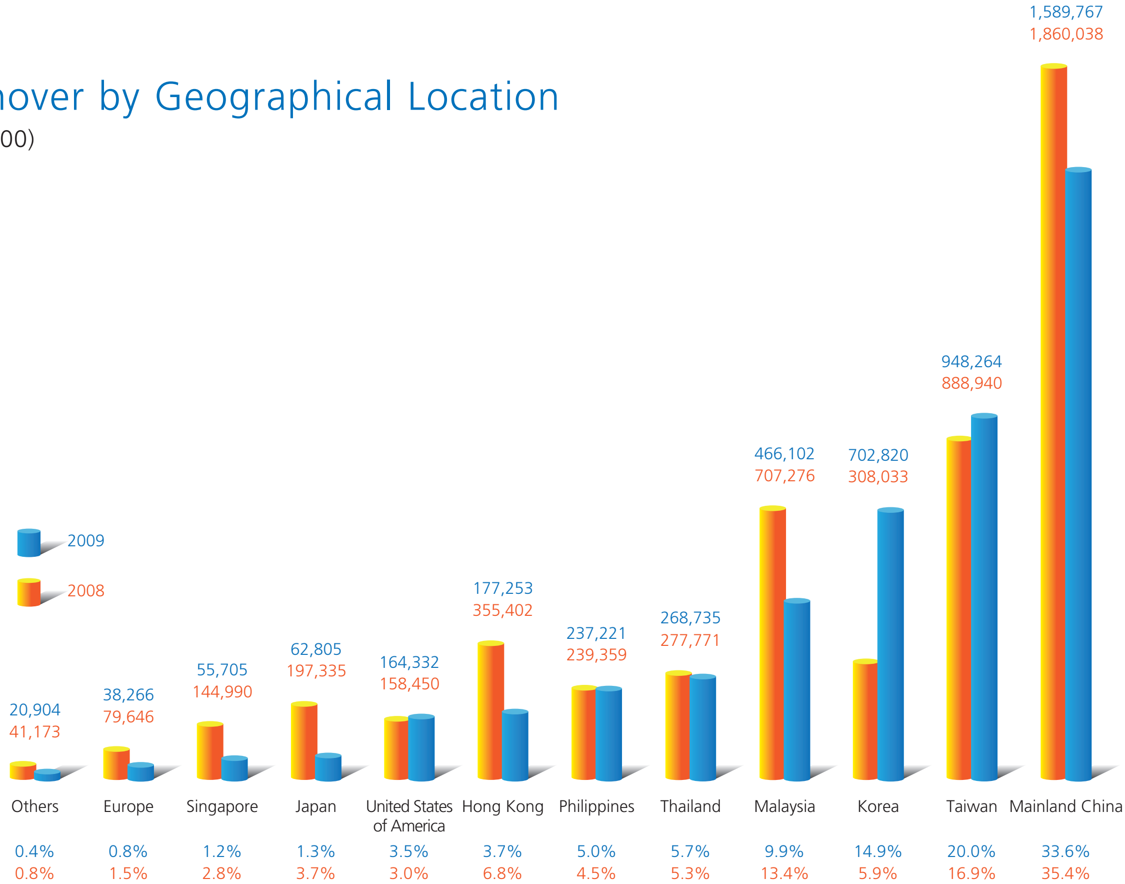
We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASM") achieved a turnover amounting to **HK$4,732 million** in the fiscal year ended 31 December 2009, representing a decrease of 10.0% as compared with HK$5,258 million for the previous year. The Group's consolidated profit for the year is **HK$935 million**, which is 3.9% lower than the previous year's consolidated profit of HK$974 million. Basic earnings per share for the year amounted to **HK$2.38** (2008: HK$2.49).

Dividend

In view of the Company's continuing strong liquidity and equity base, the Board of Directors has decided to recommend a final dividend of **HK$1.20** (2008: HK$0.50) and a second special dividend of **HK$0.40** (2008: NIL) per share. Together with the interim dividend of HK$0.20 (2008: HK$0.90) and first special dividend of HK$0.40 (2008: HK$0.50) per share paid in August 2009, the total dividend payment for year 2009 will be **HK$2.20** (2008: HK$1.90) per share.

Turnover by Geographical Location

(HK$'000)



Dividend continued

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 and the Group has consistently managed to generate significant positive cash flow from operations for more than ten years.

Review

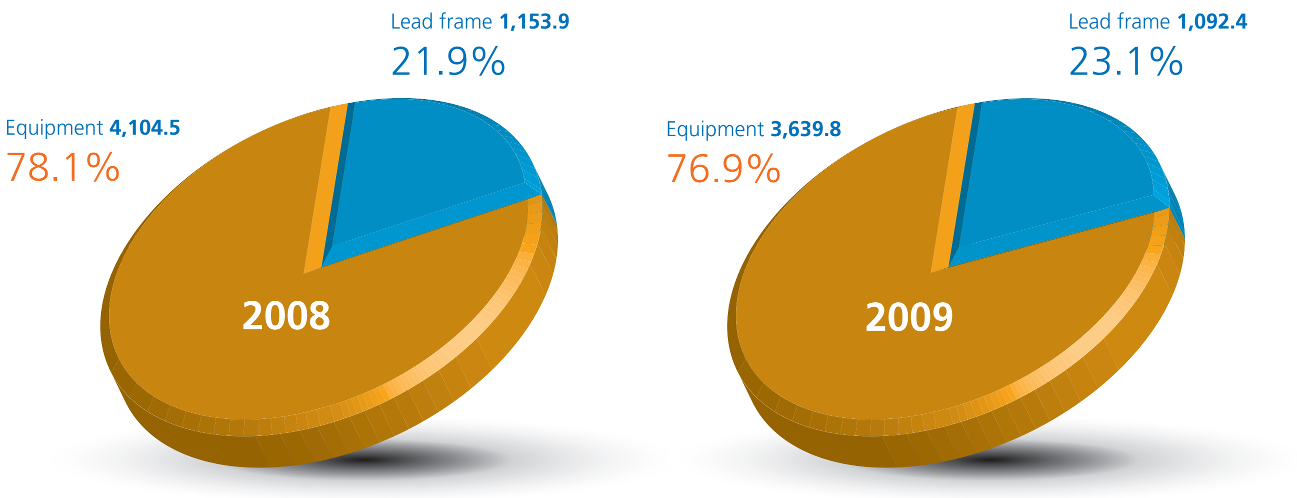
Faced with a terrible start to the year, we would never have dreamt a year ago that we would once again set new records in 2009! After a sustained recovery in the semiconductor packaging equipment industry which started from the second quarter, the fourth quarter has been tremendous for the Company, setting quarterly records in almost every aspect of our business. We have achieved record quarterly profits, quarterly revenues and quarterly bookings. Based on our fourth quarter results, our business is now well above the pre-crisis level. This is an encouraging sign that ASM has progressed to a new phase of growth.

In fact, we had been breaking new records consistently during the past three years. In 2007, we achieved record billings and profits in the third quarter and record new order bookings in the fourth quarter. Even during the financial crisis, we broke the billings record in the second quarter of 2008. However, all these records have now been surpassed during the fourth quarter of 2009! These achievements not only highlight ASM's strength in depth to emerge unscathed from this crisis, but also its agility to skillfully navigate through the challenges posed by the crisis.

Our billing in the fourth quarter of 2009 was US$227 million. It exceeded the previous record set in the second quarter of 2008 by 9.2%. It represented a sequential increase of 12.2% over the preceding three months and a strong growth of 115.5% against the same period last year. Net profit for the quarter amounted to HK$459 million, surpassing the previous record attained in the preceding quarter by 14.6%.

Turnover by Products

(HK$'Million)



Review continued

Quarterly billings for both our equipment and lead frame businesses attained new records. During the fourth quarter, equipment revenue grew by 129.2% to US$180 million from the same period a year ago and increased by 12.2% from the preceding quarter. Lead frame revenue achieved an increase of 12.1% over the third quarter to US$47 million and a strong surge of 74.8% against the same period last year. Lead frame revenue represented 20.5% of the Group's revenue in the fourth quarter.

After setting a new record in the third quarter, our new order bookings continued to be strong in the fourth quarter. New order bookings during the last quarter of 2009 amounted to US$284 million, surpassing the previous record by 21.8%. As a result, our backlog at the end of 2009 was at an all-time high of US$211 million.

Due to two consecutive strong quarters, our performance in the second half of 2009 was the best in our history for any six-month period. Billings for the Group amounted to US$429 million, a strong sequential increase of 135.8% over the first half of the year and a growth of 42.5% over same period a year ago. Both our equipment and lead frame businesses set new half-yearly billing records. New order bookings for the six-month period were US$518 million, surpassing the half-a-billion dollar mark for the first time.

Judging from the first quarter of 2009, when business was in the doldrums and we suffered our first-ever quarterly losses, it could hardly have been expected that the pace of recovery from the second quarter onwards would be so remarkable. Notwithstanding the pessimism which prevailed in early 2009, we felt from the beginning that the abnormal situation was due to a severe overreaction. Whilst we had expected that the market would pick up after the Chinese New Year, we did not expect the high level of momentum that would be generated.

New Product - IDEALcompress™ Molding System

China has confirmed its pole position in leading the world economy out of recession. In the first half of 2009, the demand for semiconductor equipment was largely driven by the stimulus programmes implemented by the Chinese government leading to strong domestic demand in China. Although China was leading the recovery at the tail end of the first half of the year, other countries started to gather momentum and closed the gap on China during the second half. They appeared to have also benefited from the strong domestic demand in China. The growth in demand for Light-Emitting Diodes ("LEDs") was a further boost for the industry.

By the fourth quarter, our business has recovered to well above the pre-crisis level, surpassing all the past records.

The stellar results achieved in the second half have led ASM to again outperform its industry peers. Last year, we achieved a Group turnover of US$611 million and net profit of HK$935 million. This represents 10.0% and 3.9% contractions respectively over the previous year, which is primarily attributable to the very weak start to 2009. However, the relatively small decline as compared to 2008 demonstrates the substantial improvement experienced for the rest of the year. Return on capital employed and on sales were 31.3% and 22.4% respectively.

Last year, our equipment revenue was US$470 million, representing 76.9% of the Group's turnover and a decline of 11.3% over the previous year. ASM was again the top player in its industry, keeping the premier position we have held since 2002. Revenue for our lead frame business in 2009 was US$141 million, slowing by a relatively small 5.3%. This solid performance again highlights our strong market position in the lead frames business and promises solid future contributions to our revenue stream from the product.

New order bookings for 2009 amounted to a new record of US$769 million, which is an increase of 33.1% as compared to the previous year. Our book-to-bill ratio, representing net bookings over billings, was 1.26.

Review continued

Our customer base continues to be well spread out. China remains our largest market, and started to pick up strongly from the second quarter onwards. Slowly but surely, other territories are also starting to get back to pre-crisis levels, with the gap between our China market and our other markets starting to narrow as we progressed through the year. China, Taiwan, South Korea and Malaysia remain the greatest contributors to our sales, with the Korean market particularly benefiting from the strong demand at present for LEDs.

In 2009, our top 5 customers accounted for only 20.1% of the Group's revenue. A surge in demand from subcontractors during the later part of the year has led them to surpass the demand from IDMs. On the whole, all our products are demonstrating an upward trend, although there are naturally some products which are picking up sooner than others. Generally, our wire bonders and die bonders have been leading the recovery, with other products also benefiting from the growth trends. It is likely that all our products should at least reach or exceed our pre-crisis levels shortly.

We are seeing strong momentum in our copper wire bonders and copper wire bonding conversion kits. In the past year, we have shipped a record number of copper wire bonder conversion kits and copper wire bonders to our customers, and many of our gold wire bonders in the field have already been converted into copper wire bonders by now. ASM's premier position in copper wire bonding technology will propel further demand for its wire bonders.

New Product - COG FOG Bonder

The success of our strategy of expanding our product line-up for LED applications was demonstrated by our LED sorters, test handlers and taping machines, which proved to be well-received by the market. In 2009, we have also successfully launched our LED encapsulation system.

Excellent teamwork and strong dedication
differentiate ASM from our peers.

Our strategy to pursue multiple application markets has once again proven to be very useful for coping with industry downturns. On hindsight, our strong performance was a result of many factors, such as our strong presence in China which is leading the recovery and the right product mix which meets the demanding requirements of our customers. We have the largest product portfolio to address both the semiconductor market and the LED market, which allowed ASM to take advantage of the strong growth in demand in the LED market during 2009. Our successful business strategy of not unnecessarily scaling down the Company during short-term fluctuations in demand has also served us well by enabling us to capture precious opportunities during the ensuing recovery. We are further assisted by our strong financial resources that allow us to take a long-term outlook. Last but not least, the culture of the Company and committed employees ensure that our business plans are successfully implemented.

Liquidity and Financial Resources

We ended the last fiscal year in a very healthy financial position. Due to our aggressive working capital management through tight control of inventory and aggressive collection efforts, our year-ending cash position is at all-time high.

Cash on hand as of 31 December 2009 was HK$1,254 million (2008: HK$846 million). During the twelve-month period, HK$432 million was paid as dividends and HK$111 million was spent in capital investments, which were fully funded by the year's depreciation of HK$226 million. Actual capital investment commitments were higher than what is reported here since a large part of it was only committed during the last quarter of 2009. Total capital expenditures and commitment in 2009 was similar to the budgeted amount for the year. Accounts receivable have been tightly monitored during the year. Even with our aggressive collection efforts, due to strong sales activities in the past two quarters, accounts receivable have increased to 104.7 days sales outstanding (2008: 59.5 days).

Liquidity and Financial Resources

continued

There was no bank borrowing as of 31 December 2009. Current ratio was 2.82, with a debt-equity ratio of 39.9%. As there were no long term borrowings, gearing of the Group was zero, the same as for the past ten years. The Group's shareholders' funds increased to HK$3,410 million as at 31 December 2009 (2008: HK$2,864 million).

The Group has moderate currency exposure as the majority of all sales were denominated in U.S. dollars. On the other hand, the disbursements were mainly in U.S. dollars, Hong Kong dollars, Singapore dollars, Malaysian Ringgit and China Renminbi. Our limited yen-based receivables were offset by some accounts payable in yen to Japanese vendors.

With no short-term needs and an on-going positive cash flow from organic growth operations, our cash on hand permits ASM management to recommend a sustained high level of dividend to return excessive cash holdings to shareholders.

Human Resources

ASM recognizes human resources as one of the Company's most important assets. Even during the downturn last year, we decided early on that laying off employees would be a last resort in our cost reduction effort. All our cost reduction programmes were designed to have a minimal impact on the take-home pay of our employees. Therefore we received strong support from employees at all levels. We are glad that we have survived the downturn without any unnecessary scaling down of our operations. Ultimately, this helped the Group tremendously in coping with and taking advantage of the strong upturn momentum in the later part of the year.

New Product - LED Sorter

Our goal is to become a total solution provider in the LED market which is set to enjoy a tremendous growth rate.

Recruiting and retaining high calibre employees is always of high priority in ASM. Besides offering competitive remuneration packages, ASM 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 2009, the total headcount of the Group worldwide was approximately 10,700 people.

Prospects

Most analysts have predicted that the semiconductor industry is well-positioned for growth in 2010. Steadily-improving business trends throughout the second half of 2009 have led analysts to become bullish that the semiconductor equipment market will experience strong double-digit growth in 2010. They have even predicted that capital additions by companies in late this year may further ramp up demand in the semiconductor equipment industry into 2011.

Prospects continued

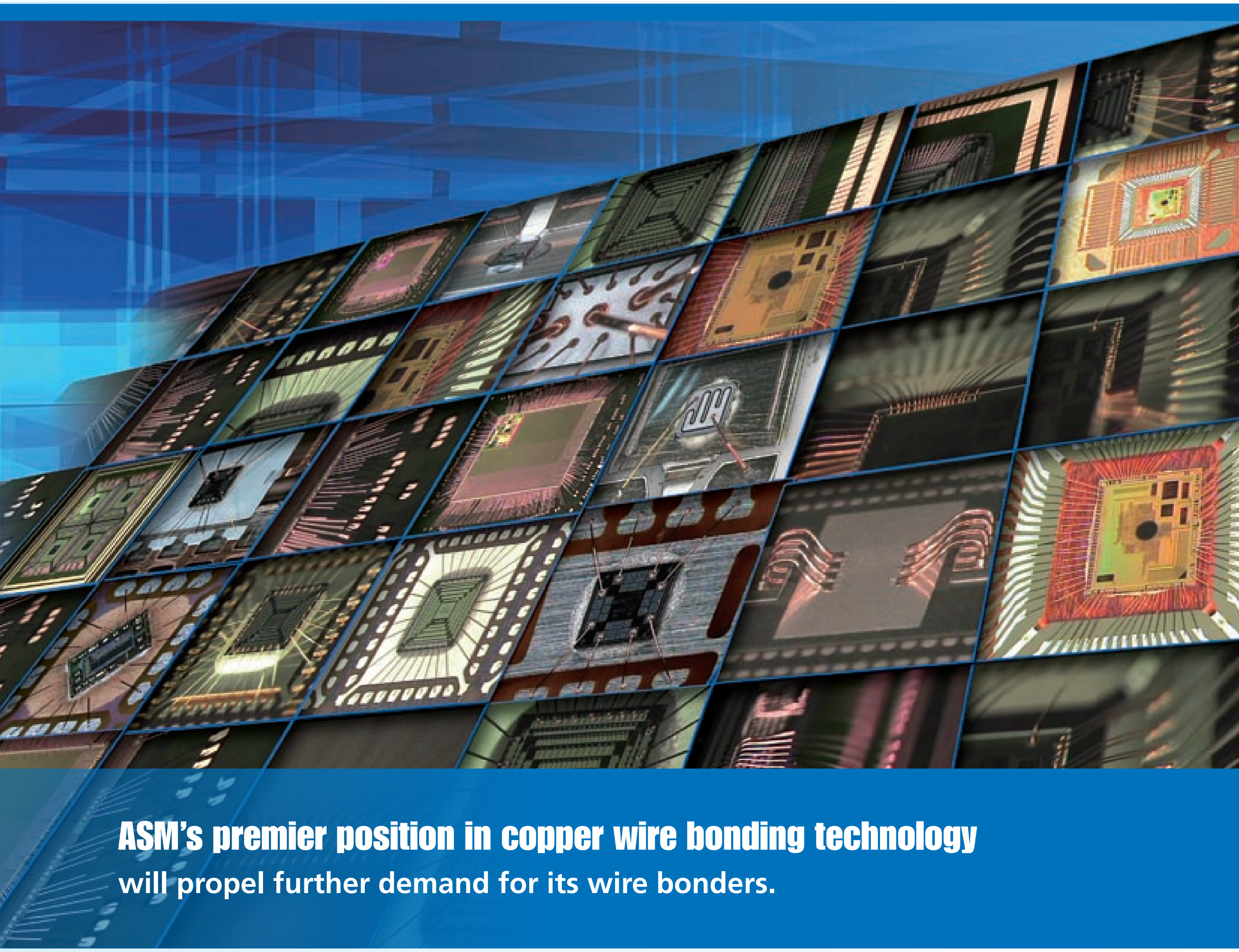
Last year, the contribution of consumer electronics to the industry has once again been demonstrated, with improved consumer sentiment and demand being a major factor for the rapid recovery we have just witnessed. Semiconductor technology has become a key enabling technology for our modern lifestyles. Demand for consumer electronics will remain a major stimulus for growth for the near future.

In particular, the recent upswing in demand demonstrates the presence of a large group of consumers in China and elsewhere who are enthusiastically feeding the growth of consumer electronics to meet their lifestyle needs. These sources of demand should continue to drive prosperity in the coming years. The withdrawal of stimulus programmes to control the Chinese economy that is threatening to overheat is one possible drag to the pace of growth, but such withdrawal is likely to be at a measured and controlled rate.

The anticipated increases in corporate investment and business spending this year and infrastructure projects by the various governments will further support the nascent recovery in the global economy. Thus, the semiconductor industry is due to experience good times ahead, and the equipment industry should also be a major beneficiary.

Our confidence in the growing demand for LEDs in backlighting as well as general lighting has encouraged us to increase our range of equipment offered for LED applications beyond our present product line-up. By now, we almost have a full range of equipment to support the assembly of LEDs. We will further develop LED lead frames and packages for high-brightness LEDs. Our target is to become a total solution provider to the LED market in the near future.

New Product - Eagle Xtreme Wire Bonder



ASM's premier position in copper wire bonding technology will propel further demand for its wire bonders.

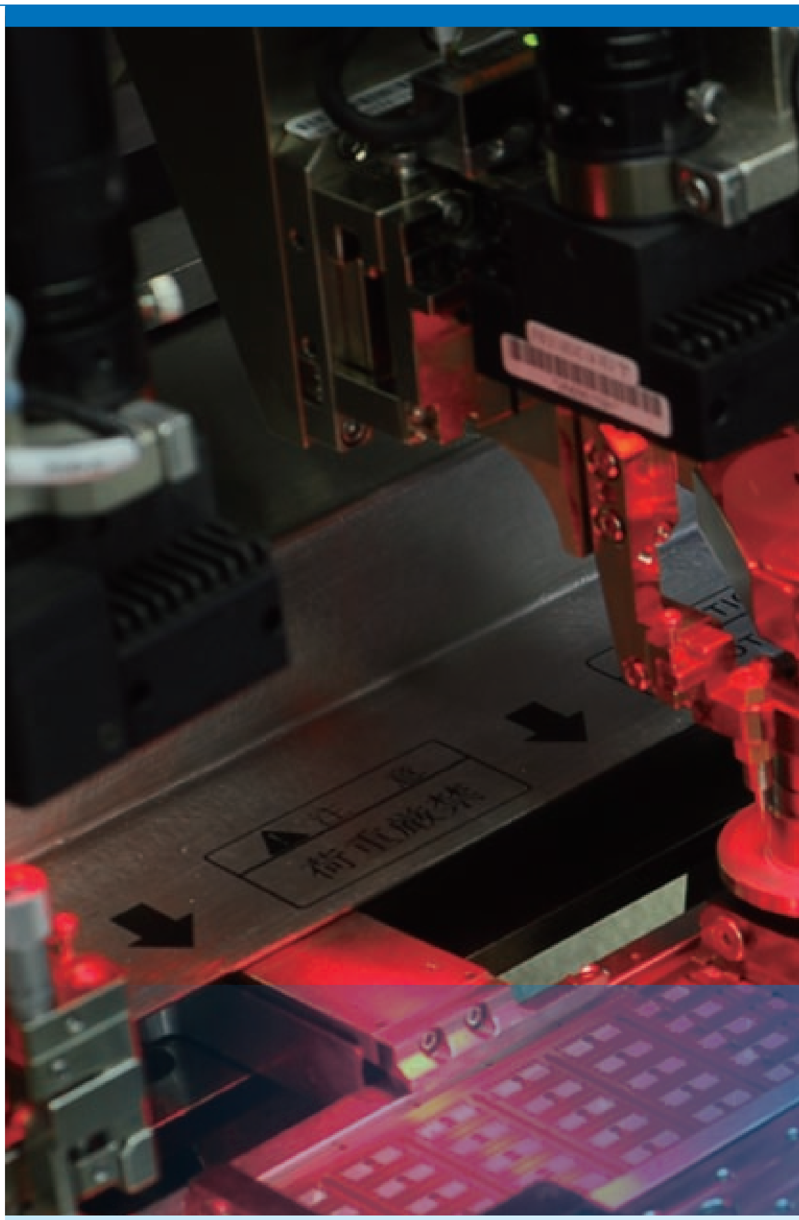
ASM's management team has always sought to adopt a long-term business strategy that would enable the company both to ride on the crest of the good times and maintain its competitiveness and profitability. We will continue to adhere to our guiding philosophy of adopting long-term business strategies to strengthen our investments. These include offering multiple products serving diversified application markets, a customer-centric approach focusing on customer value creation, a vertical integration strategy and strategic choice of low-cost manufacturing locations, and providing customers with innovative, total packaging solutions based on ASM's equipment and lead frames to meet their ever-expanding new product requirements.

Appreciation

To be able to set so many new records in such a short time after the passing of the financial tsunami is a spectacular achievement. Our customers who continue to place their trust in us, our employees who have worked very hard to fulfil orders during this busy period as well as our suppliers have all been instrumental to our success. We would therefore like to thank all our employees, customers, suppliers and stakeholders for their contributions to the Company's success, and look forward to their continued support.

Arthur H. del Prado
Chairman
24 February 2010

Management Discussion and Analysis

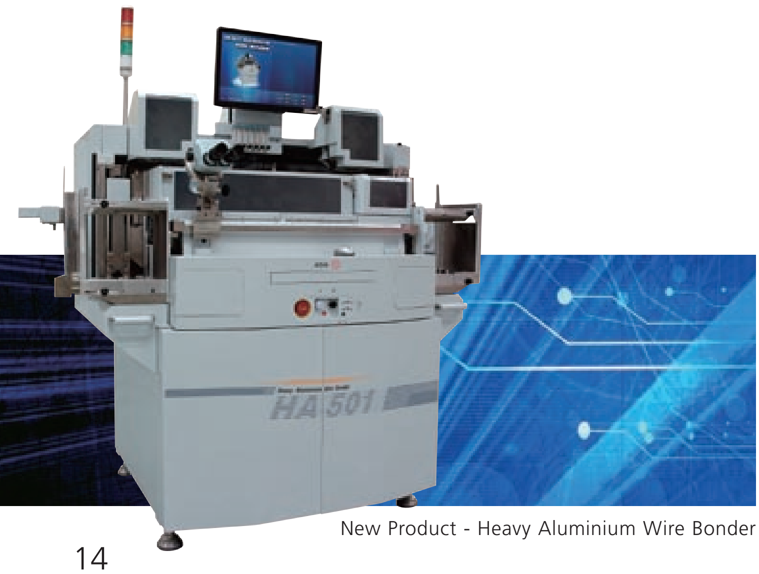


Overview

After a challenging start to 2009 during which the recession had threatened to turn into a depression, there are now many signs that the semiconductor industry has already turned the corner and is recovering strongly. We are pleased to announce that with the invaluable contributions from our management team and dedicated staff, our business has made a speedy recovery and it has even surpassed the pre-crisis levels. By the end of the year, we were experiencing multiple quarterly record highs for both our equipment and lead frame business segments, even though the fourth quarter is traditionally not the busiest time of the year.

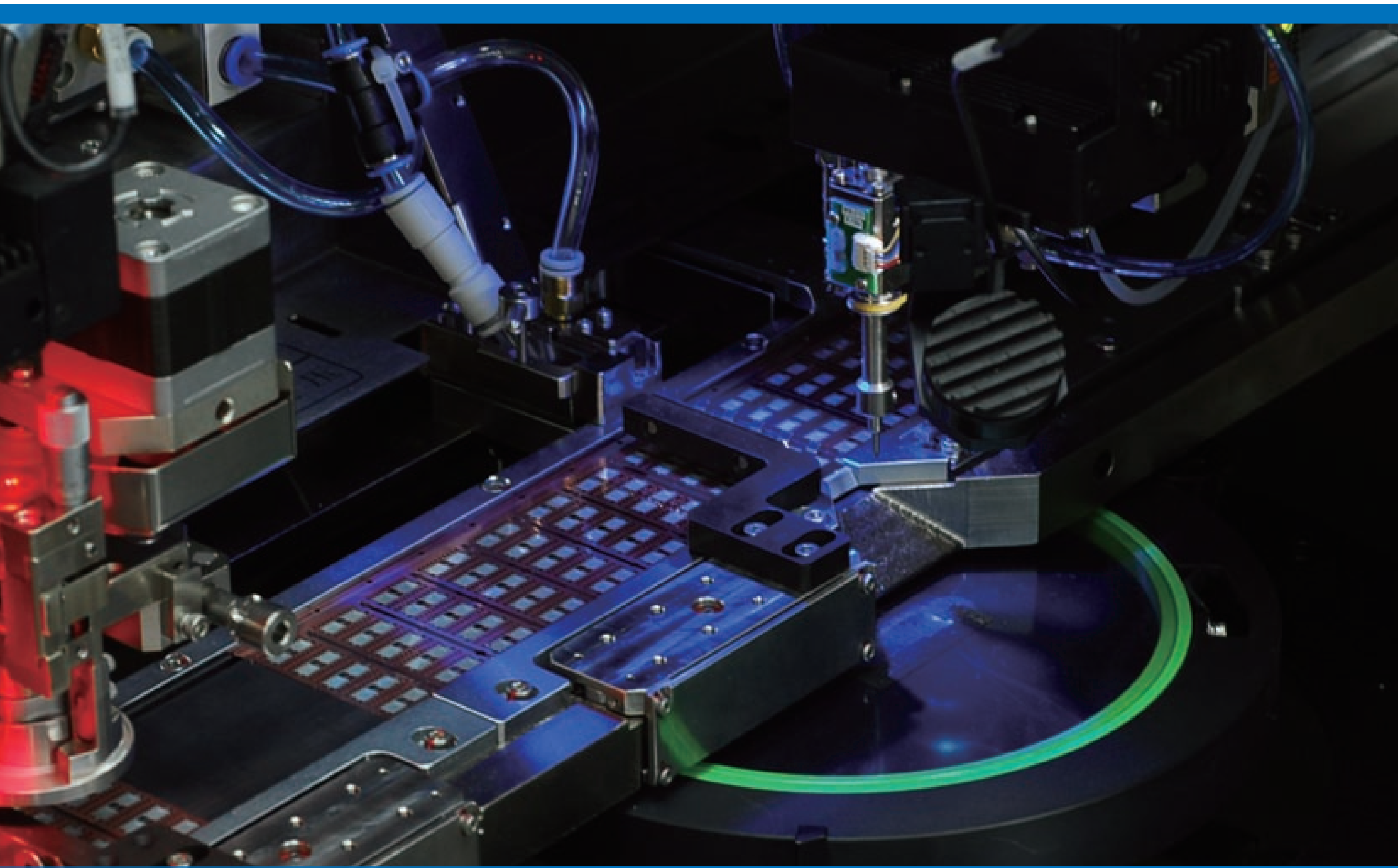
The strong domestic demand in China and interest in LED backlit TV and displays for netbook and notebook computers led to our quick turnaround and returned us to profitability in the second quarter of last year. It was further supported by strong demand from IC subcontractors during the second half. A surge in demand from IC subcontractors during the year has led them to surpass the demand from IDMs. The effect of all the positive driving factors meant that subcontractors turned more bullish and purchased equipment for expansion from the second quarter onwards. Their robust demand for expansion continued unabated towards the end of the year.

The surprisingly strong growth in overall demand has led to successive increases in our quarterly bookings starting from the second quarter. New order bookings for the fourth quarter of 2009 amounted to US$284 million, which is an increase of 21.8% as compared to the preceding three months and an increase of 720.5% from same period last year when we were in the midst of the recession. Our order backlog which was at US$53 million at the beginning of the year has now grown to US$211 million as of 31 December 2009. Our overall book-to-bill ratio for the last quarter was 1.25.



New Product - Heavy Aluminium Wire Bonder

The past year has not only demonstrated ASM's resilience and seamless execution of its winning strategies, but also its innate ability to bounce back from industry downturns even stronger than before. Our achievement in 2009 is a testament to our strong adaptability and survivability. If we had succumbed to a knee-jerk reaction to scale down the company unnecessarily, we would not have been able to enjoy the new opportunities brought by the upturn when it arrived. Also, if we had not been aggressive enough in our cost cutting measures during the downturn, we would have lost a great opportunity to make ourselves leaner, and to increase our profitability when the market recovered.



One of ASM's winning strategies is to **serve multiple application markets with diversified product portfolios.**

Our customer base, just like our product range, remains highly diversified. In 2009, our top 5 customers accounted for only 20% of our revenue. Even during the downturn and in the subsequent fast recovery, we demonstrated that our business does not depend on a small number of major customers. The growing acceptance of the Group's products by a larger pool of customers has helped to build a more stable revenue base. Such diversity demands a good sales and support network and accompanying infrastructure to provide a high level of service to customers, and ASM is fortunate to have consistently excelled in this area.

In addition to the broad customer base and wide product range, our strength also lies in our geographical diversification. China remains our largest market, and it started to pick up strongly starting from the second quarter. Slowly but surely, other territories are also starting to get back to pre-crisis levels, with the gap between our China market and our other markets starting to narrow as we progressed through the year. Geographically, China, Taiwan, South Korea and Malaysia are now the greatest contributors to our revenue. Although the growth experienced in the China market has been outstanding, a concurrent surge in orders from Taiwan has narrowed the gap between China and Taiwan from 109.2% in 2008 to 67.7% in 2009. Our revenue in Taiwan in 2009 has actually eclipsed the level reached in 2008. Benefiting from the demand of LED backlit TVs and displays, we enjoyed robust revenue growth in South Korea.

Returning our profitability to pre-crisis levels was our focus during the downturn. Our successful cost reduction guaranteed our immediate return to profitability when the market emerged from its lows. As a result of our efforts as well as market factors, our gross margins have significantly improved due to the increase in our sales levels, lower metal prices and successful cost reduction efforts.

Overview continued

After three consecutive quarters of strong order intake, we would be mindful about any possible market correction. However, we do not believe that any market correction, short of causing a market panic, would wipe out the robust demand for consumer electronics in the near term. As long as there is no market panic, our customers will not significantly restrict their capital investments.

Market and Product Development

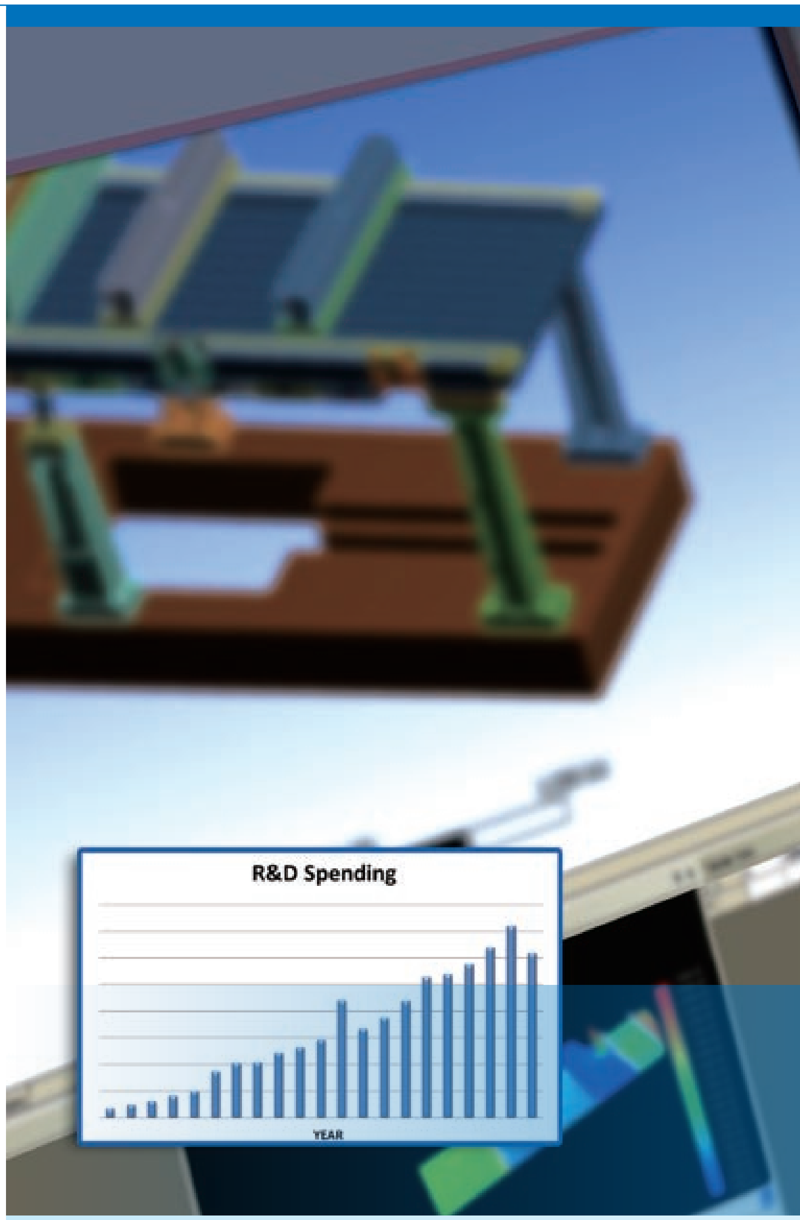
Equipment Division

Last year, our equipment revenue was US$470 million, representing 76.9% of the Group's turnover and a decline of 11.3% over the previous year. ASM retained the number one position in the assembly and packaging equipment industry, keeping the premier position it has held since 2002.

Significantly, we set a quarterly billing record of US$180 million for our equipment during the fourth quarter of 2009, which was an increase of 129.2% compared to US$78.6 million from the same period a year ago and an increase of 12.2% as compared to the preceding quarter.

On the whole, all our products are demonstrating an upward trend, although there are naturally some products which are picking up sooner than others. Generally, our wire bonders and die bonders have been leading the recovery, with other products also benefiting from the growth trends. It is likely that all our products should at least reach or exceed our pre-crisis levels shortly.

ASM's position as the world's top supplier of die bonders and die handling equipment remained unchallenged in 2009. Our portfolio encompasses a wide range of die bonder models to address the diverse needs of our customers in many different applications such as IC, discrete, power and LED. We are recognized for providing solutions for handling different die sizes. We are also known for the versatility of our die bonders, which can be utilized for many different applications and assist our customers tremendously to enhance their productivity. ASM is particularly strong in applications which require the handling of small dies. The AD830 die bonder was introduced in 2007 to great enthusiasm in the market due to its ability to meet our customers' exacting needs and is still an extremely popular product. Combining our advanced in-house developed linear motor technology and our knowledge and expertise in handling small dies, the AD830 surpasses its competitors in both throughput and cost effectiveness. Last year, we have launched various other models of die bonders which are intended to address different segments of the die bonder market.



New Product - AD838 Die Bonder

Our continuous commitment to R & D is setting us apart from our competitors.

ASM continues to be one of the leaders in wire bonding technology. Our gold wire bonder, the Eagle Xtreme™, is capable of cutting-edge 30μm fine pitch bonding and offers a significant throughput advantage over its predecessor. Our dual head gold wire bonder based on the Eagle Xtreme™ platform is unique and unparalleled in its cost-effectiveness, and is an excellent example of the success of our Blue Ocean Strategy. We also hold a leadership position in copper wire bonding technology. This is an area where customers driven by the need to reduce cost and to enhance electrical performance for dies with very small line widths have increasingly been turning to us to provide them with suitable solutions. We have retrofitted a record number of our gold wire bonders in the market with copper wire bonder conversion kits in the past year. The popularity of our copper wire bonder conversion kits will be a strong impetus to propel further demand for our wire bonders.

Our aluminium wire bonders are equipped with high performance linear motors and have solidified ASM's two-decade leadership in the chip-on-board (COB) application market. Combining its high performance and fine pitch capability, we successfully widened our technology leadership over our competitors while avoiding competition based purely on price. This year, we will be launching our new heavy aluminium wire bonder, which is targeted for the power electronics market. Applications for this market are quite diversified, ranging from home electrical appliances to power management modules for consumer electronic devices and lighting, and to electric or hybrid cars. It will further broaden our product offering for wire bonding equipment and further enlarge our addressable market.

Market and Product Development continued

Equipment Division continued

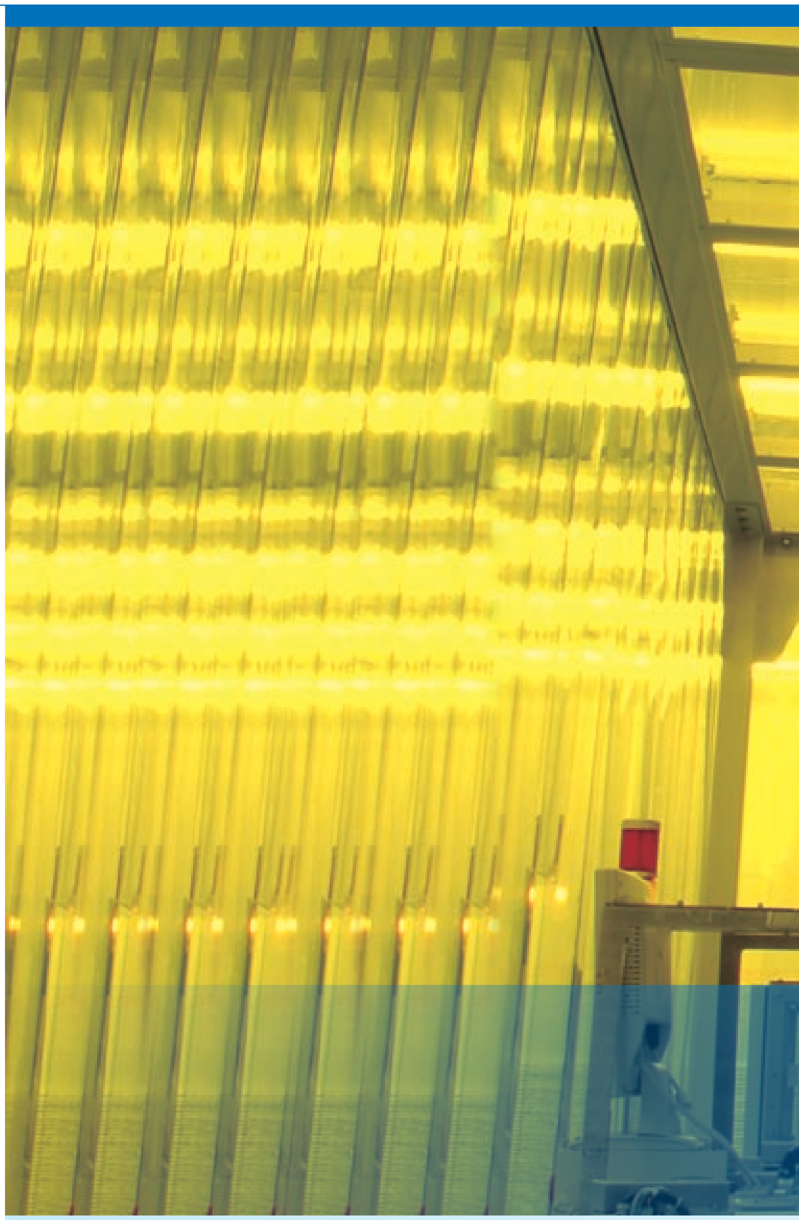
The strong demand in the LED backlight and general lighting industries is met by our wide range of LED products, including LED sorters and test handlers. In order to further tap into this growth market, our next challenge would be to supply LED lead frame and to continue development of other LED equipment to become a total solution provider in the LED market.

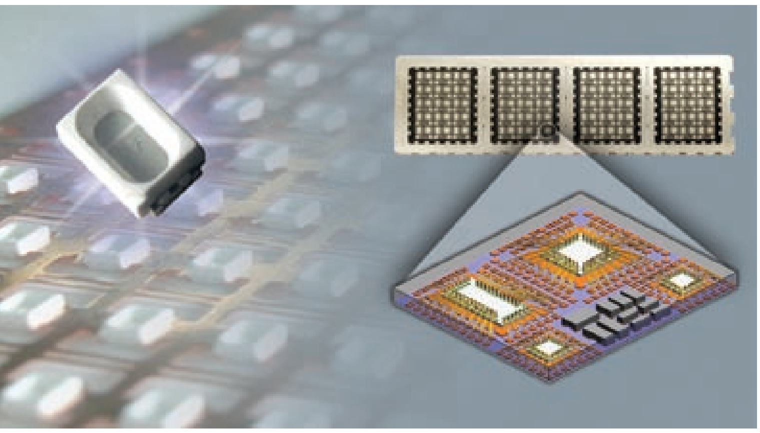
In 2009, our Encapsulation Solutions Group (ESG) has made further strides despite the tough market conditions. ASM is the choice of many key customers for its superior molding technology, such as Pinnacle Gate System (PGS) and compression molding, which are especially suitable for the development of advanced new packages. This advanced capability has helped ASM gain entry to a number of new accounts. The group has made significant advancement in compression molding technology with the IDEALcompress™ which is applicable in areas such as wafer level packages, high brightness LED and other optical devices. Last year, we started to deliver systems for LED lens molding to our customers. ASM is also a preferred partner of many LED manufacturers for advanced LED molding technology and new package development.

Lead Frame Division

Our lead frame revenue in 2009 was US$141 million, slowing by a relatively small 5.3% as compared to 2008. This was a commendable performance bearing in mind the weak first quarter and that 2008 was a record year in terms of lead frame turnover.

On a quarterly basis, lead frame revenue increased by 74.8% from the same quarter last year to US$47 million and increased by 12.1% from the preceding quarter, setting a new quarterly record. Lead frame revenue contributed to about 20.5% of the Group's turnover. We are pleased with our continuing progress in our lead frame business.





New Product - LED Lead frame and DreamPak™

The good progress made by our lead frame business signals that we are still on track for further growth in this business segment. In the first half of the year, there was a stronger demand for lead frame than for equipment because of the greater stability of lead frame demand. However, by the second half of the year the proportion of our lead frame revenue as compared to our equipment revenue has returned to a normal 20%-80% distribution since the third quarter.

Our lead frame business benefited substantially from the lower metal prices last year, particularly for copper, gold, silver and palladium. This helped to increase our gross margins for lead frame. On the other hand, the rising demand for metals as a result of the economic recovery will raise metal prices and our lead frame costs. Nevertheless, we are confident that the cost-reduction initiatives which we have put in place will help to offset the increase in metal prices.

The good progress made by our lead frame business underscores our strong market position.

ASM's high-density open-tool lead frame solutions continue to offer good value propositions to our customers. Offering such open-tool lead frame solutions has not only helped the Company penetrate new accounts but has in turn created business opportunities for our related equipment. ASM continues to combine its expertise in both equipment and lead frame to create new value propositions for its customers.

ASM has introduced its new packaging concept, the DreamPak™, to address customers' need for high I/O QFN. This solution combines ASM's expertise and know-how in lead frame, molding technology, package development and assembly processes. It demonstrates ASM's understanding of customers' needs and its innovative solutions to satisfy those needs. A number of customers have been working with us to qualify this package and put it into the market place. We are also developing new lead frame for LED products.

Financial

We continue to streamline our working capital management to deal with a wide range of products and high production run rates. Last year, we achieved an inventory turnover of 5.0 times (2008: 5.8 times), with an ending inventory of HK$1,004 million to deal with the increased demand for our products. Although capital investments amounting to HK$111 million were made in 2009, our sound working capital management resulted in a free cash flow of HK$886 million (2008: HK$1,038 million) and a return on invested capital of 40.8% (2008: 40.9%). Receivables have been tightly monitored. Due to the strong sales in the fourth quarter and low level of business activities in the first half of last year, days sales outstanding increased to 104.7 days. However, most of the receivables are current. So far our bad debt exposure, if any, is immaterial and well-covered by provisions made in conformity with ASM's policy. There was a cash conversion cycle of 139.7 days (2008: 126.2 days). Cash on hand as of 31 December 2009 was HK$1,254 million (2008: HK$846 million).

Financial continued

With no bank borrowing either for the short or long term, ASM achieved an all bank debt to equity ratio of zero and no gearing for the Group, essentially the same situation as during the past few years. With rigorous control over our current assets and liabilities, the current ratio stood comfortably at 2.82 (2008: 2.99). The Group's shareholders' funds increased by about 19.1% to HK$3,410 million as of 31 December 2009 (2008: HK$2,864 million).

ASM's strong financial position is the result of our consistently profitable and cash-generating business performance in past years, as well as our conservative fiscal policy, prudent investment planning and strict working capital management. We have no short-term need for any major cash outlay while we continue our organic growth strategy. We aim to maintain our policy of operating the Group with the optimum shareholder fund and returning any excessive cash holdings to our shareholders.

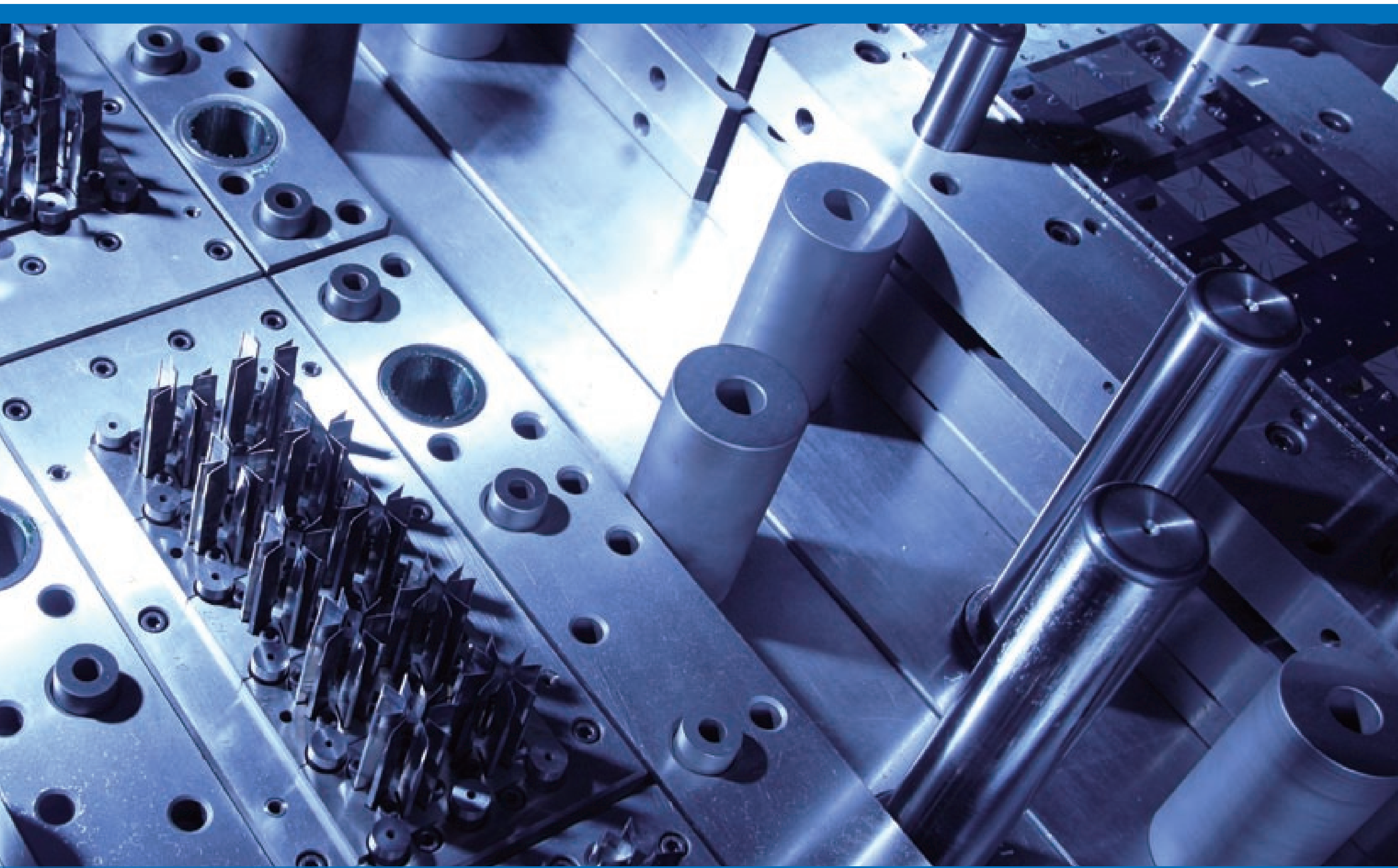
Capacity and Plant Development

We had not expected such a fast turnaround of the semiconductor industry from its malaise less than a year ago, and the strength of the recovery that followed. In anticipation of further growth, and to ensure that we are in a strong position to capitalize on future opportunities, we are currently exploring ways of expanding our production capacity for both equipment and lead frame, such as by taking steps to increase our production capacity in China and by placing greater emphasis on outsourcing.

As the downturn is probably over and since demand for consumer electronic products has returned to pre-crisis levels, we expect the semiconductor industry to continue to grow as it has done over the past few years. We are gearing ourselves to gain additional market share. We are now taking the opportunity to improve the operations of the various factories and facilities to capitalize on the benefits of economies of scale, and to increase our productivity. To this end, we believe that productivity may be increased by driving automation in our manufacturing, replacing old production equipment with more advanced models and improving work procedures and efficiency.

Our capital expenditure budget this year will be significantly higher than that of 2009. We aim to expand our production capacity further to meet the strong market demand. We will increase the scope of automation of our production to improve productivity. Part of the capex budget will be used to expand our new R&D centre in Chengdu, Sichuan, China and to strengthen our management information system (MIS).

New Product - Automatic Clip Bonding System



Having emerged strongly from the crisis, **ASM is now well on track to pursue long term growth.**

Research and Development

Our current research and development teams based in Hong Kong, Singapore and Chengdu consist of over 700 technical staff with more than 60% of them having a Master or PhD degree. Our R&D expenditure in 2009 was HK$307 million (2008: HK$359 million), representing 8.4% of our equipment sales and in line with our R&D funding guidelines.

ASM's long term commitment in R&D has become one of our competitive advantages, especially during downturns like the one we have just been through. Without strong financial support, our competitors usually have had to cut back on their R&D spending to achieve their short term cost-reduction needs. In contrast, ASM continued to expand its new R&D centre in Chengdu last year. With our continuous investment in R&D, we are confident that we will further widen our technology leadership over our peers and position ASM to make further gains during the upturn.

ASM's R&D effort has led to the introduction of many new products in the past years covering a wide range of applications. It also supports ASM's strategy of being a total solution provider for the fast growing LED market.

Last year, our R&D effort focused on achieving significant cost reductions for our mainstream products. This will enable ASM to achieve a permanent structural cost reduction.

Today, there is a growing demand for electronic devices that combine high functionality with high performance in nearly every consumer market. The semiconductor industry is meeting these challenges with innovative technologies that are changing the face of transistor and device interconnects and packaging. ASM is at the forefront of technological innovation in the semiconductor assembly and packaging equipment industry, and will continue to be a major force in shaping the future of this growing market.

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 2009.

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 industry.

Results and Appropriations

The Directors recommend the payment of a final dividend of HK$1.20 (2008: Final dividend of HK$0.50) per share and a second special dividend of HK$0.40 (2008: nil) per share which, together with the interim dividend of HK$0.20 (2008: HK$0.90) per share and a first special dividend of HK$0.40 (2008: HK$0.50) per share paid during the year, makes a total dividend for the year of HK$2.20 (2008: HK$1.90) per share.

Details of the results of the Group are set out in the consolidated statement of comprehensive income on page 39.

Property, Plant and Equipment

During the year, the Group continued to expand its manufacturing facilities. The Group acquired plant and machinery for HK$98,296,000.

Details of these and other 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 2009 are set out in note 33 to the consolidated financial statements.

Share Capital

On 15 December 2009, 2,035,400 shares were issued at par to certain employees pursuant to their entitlements under the Company's Employee Share Incentive Scheme.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2009 amounted to HK$1,492,197,000 (2008: HK$1,250,630,000). 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	
Lee Wai Kwong, Chief Executive Officer	
Chow Chuen, James, Chief Operating Officer	
Tang Koon Hung, Eric, Chief Financial Officer	(resigned on 1 February 2010)

Non-executive Directors:

Robert A. Ruijter	(appointed on 30 October 2009)
Arnold J.M. van der Ven	(resigned on 27 May 2009)

Independent Non-executive Directors:

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

In accordance with Articles 113, 114 and 117 of the Company's Articles of Association, Lo Tsan Yin, Peter, Lee Shiu Hung, Robert, Robert A. Ruijter and Orasa Livasiri will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 78, is the Chairman of the Company and founder of ASM International N.V. ("ASM International"), the ultimate holding company of the Company. Mr. del Prado currently serves on the Board of several companies, civic and non profit organisations, among which the MEDEA+ Board, the "Micro Electronics Development for European Applications" project. Mr. del Prado was 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 Defence Products; Breevast N.V., Project Development and Management; Dujat, Dutch & Japanese Trade Federation and ABN-AMRO Bank, Advisory Counsel.

Lo Tsan Yin, Peter, aged 61, 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.

Lee Wai Kwong, aged 55, was appointed to the Board as the Chief Executive Officer 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 25 years of working experience in the semiconductor industry. Mr. Lee is also a member of the Management Board of ASM International since 1 January 2007.

Directors continued

Chow Chuen, James, aged 53, 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 25 years of working experience in the electronics and semiconductor industry.

Tang Koon Hung, Eric, aged 64, was re-designated as an Executive Director and was appointed as the Chief Financial Officer of the Company on 1 February 2007. Mr. Tang was qualified as a Chartered Accountant in Canada and he 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. Graduated from the University of Toronto, Canada, Mr. Tang holds a Bachelor degree in Industrial Engineering and a Masters degree in Business Administration. Mr. Tang retired on completion of his three years contract with the Company on 1 February 2010.

Robert A. Ruijter, aged 58, was appointed as the Non-executive Director of the Company on 30 October 2009. He is a Dutch national and retired as Chief Financial Officer and Executive Director of The Nielsen Company, a US-based global information and media group, in October 2007. He has also served as Chief Financial Officer in several international businesses including VNU, the media information and publishing group, and KLM, the Dutch national airline. He holds non-executive board positions at Wavin N.V. and Unit 4 Agresso N.V. He is also a member of the Audit Committee of Wavin N.V. and the chairman of the Audit Committee of Unit 4 Agresso N.V. Mr. Ruijter became the Interim Chief Financial Officer of ASM International in May 2009 and has been a non-statutory member of the Management Board of ASM International since May 2009.

Arnold J.M. van der Ven, aged 50, was appointed as the Non-executive Director of the Company on 14 March 2006. Mr. van der Ven was the Chief Financial Officer and a member of the Management Board of ASM International till May 2009. Mr. van der Ven has more than 16 years of experience in finance and management. He holds a MBA degree from the University of Chicago, the United States, and a law degree from the University of Leiden, the Netherlands. Mr. van der Ven started his career at McKinsey & Company in 1985. Mr. van der Ven was the Chief Financial Officer of Axxicon Group N.V., the Netherlands from 1991 to 1997. He was also the Chief Financial Officer and Member of the Executive Board of Novamedia Holding B.V., the Netherlands from 2001 to 2004 and of Vedior N.V., the Netherlands from 1997 to 2000. Mr. van der Ven resigned from the Company on 27 May 2009.

Orasa Livasiri, Independent Non-executive Director, aged 54, was appointed to the Board as an Independent Non-executive Director in 1994. She is a solicitor in private practice and is a partner of Messrs. Ng, Lie, Lai & Chan.

Lee Shiu Hung, Robert, Independent Non-executive Director, aged 77, 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.

Directors continued

Lok Kam Chong, John, Independent Non-executive Director, aged 47, 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 Oriental Link 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.

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, and Mr. Ng Cher Tat, Robin, who was appointed as the Chief Financial Officer of the Group with effect from 1 February 2010. Their biographical information is as follows:

Wong Yam Mo, aged 50, 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.

Ng Cher Tat, Robin, aged 46, was appointed as the Chief Financial Officer of the Group. 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 20 years of working experience in finance, audit and accounting.

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 2 March 2009, the Directors resolved that the Company should contribute HK$205,660 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 2,056,600 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 2008 upon expiration of the defined qualification period. 334,000 of these shares entitlements were allocated to certain Directors of the Company.

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 2009 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

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

Name of director	Capacity	Number of shares held	Percentage of Shareholding in the Company
Arthur H. del Prado	Beneficial Owner	*(Note i)*	–
Lee Wai Kwong	Beneficial Owner	606,700	0.15%
Lo Tsan Yin, Peter *(Note ii)*	Beneficial Owner	348,000	0.09%
Chow Chuen, James	Beneficial Owner	294,000	0.07%
Tang Koon Hung, Eric	Beneficial Owner	123,800	0.03%

(b) Share options of ASM International *(Note iii)*:

Name of director	Date of grant	Exercise period	Exercise price	At 1 January 2009	Granted during the year	Exercised during the year	Performance related vesting adjustment	On resignation as a director of the Company	At 31 December 2009
Arthur H.del Prado	19.5.2006	19.5.2009 – 19.5.2014	EURO14.08	100,856	–	–	(100,856)	–	–
	23.5.2007	23.5.2010 – 23.5.2015	EURO19.47	60,441	–	–	–	–	60,441
Arnold J.M. van der Ven	15.5.2005	15.5.2008 – 15.5.2013	EURO11.18	30,000	–	–	–	(30,000)	–
	2.1.2006	2.1.2009 – 2.1.2014	EURO14.13	20,000	–	–	(2,500)	(17,500)	–
	19.5.2006	19.5.2009 – 19.5.2014	EURO14.08	15,680	–	–	(15,680)	–	–
	23.5.2007	23.5.2010 – 23.5.2015	EURO19.47	21,917	–	–	–	(21,917)	–

Directors' Interests in Shares continued

(b) Share options of ASM International *(Note iii)*: continued

Notes:

i. As at 31 December 2009, Arthur H. del Prado, a member of his immediate family and a foundation controlled by him together held about 22.07% shareholding which carry voting power (represented by 11,417,878 common shares) in the issued share capital in ASM International. ASM International is a controlling shareholder of the Company holding 207,427,500 Shares which is approximately 52.59% of the entire share capital of the Company through its wholly-owned subsidiary, namely, ASM Pacific Holding B.V., and he is accordingly deemed or taken to be so interested. ASM International also holds the fixed-rate participating shares of ASM Assembly Automation Limited, ASM Assembly Materials Limited and ASM Asia Limited which are wholly-owned subsidiaries of the Company. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

ii. As at 31 December 2009, Lo Tsan Yin, Peter beneficially owned 2,500 shares of ASM International.

iii. Details of the share option schemes of ASM International are set out in note 31 to the consolidated financial statements.

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 2009, 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 disclosed above, 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 2009, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Long positions		Lending pool	
Name of shareholder	Capacity	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International	Interest of a controlled corporation	207,427,500	52.59%	–	–
ASM Pacific Holding B.V.	Beneficial owner	207,427,500	52.59%	–	–
Aberdeen Asset Management Plc and its associates on behalf of accounts managed by Aberdeen Asset Management Plc and its associates	Investment manager	35,182,790	8.92%	–	–

Save as disclosed above, as at 31 December 2009, 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' Interests in Contracts and Connected Transactions

During the year, the Group entered into a transaction with the ASM International, details of which are set out in note 32 to the consolidated financial statements.

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.

Arthur H. del Prado and Lo Tsan Yin, Peter have an interest in ASM International as disclosed in the section headed "Directors' interests in shares" above.

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 26 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 HK$230,000.

Appointment of Independent Non-executive Directors

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 2009.

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
24 February 2010

Corporate Governance Report

The manner in which the principles and code provisions 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 ("Stock Exchange") ("Listing Rules") are applied and implemented are explained as follows:

Corporate Governance Practices

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2009 except for the deviation from Code Provision A.4.1 as described in this report.

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

The Board

Board composition

The Board of the Company comprises the following directors during the year ended 31 December 2009:

Executive Directors

Arthur H. del Prado (Chairmen of the Board and Remuneration Committee)
Lo Tsan Yin, Peter (Vice Chairman of the Board)
Lee Wai Kwong (Chief Executive Officer)
Chow Chuen, James (Chief Operating Officer)
Tang Koon Hung, Eric* (Chief Financial Officer)

Non-Executive Directors

Arnold J.M. van der Ven** (Member of Audit Committee)
Robert A. Ruijter*** (Member of Audit Committee)

Independent Non-Executive Directors

Orasa Livasiri (Chairman of Audit Committee and Member of Remuneration Committee)
Lok Kam Chong, John (Member of Audit Committee and Remuneration Committee)
Lee Shiu Hung, Robert (Member of Audit Committee and Remuneration Committee)

* Mr. Tang Koon Hung, Eric resigned as Chief Financial Officer and Executive Director with effect from 1 February 2010.

** Mr. Arnold J.M. van der Ven resigned as Non-Executive Director and Member of Audit Committee with effect from 27 May 2009.

*** Mr. Robert A. Ruijter was appointed as Non-Executive Director and Member of Audit Committee with effect from 30 October 2009.

None of the members of the Board is related to one another.

The Board continued

Board composition continued

During the year ended 31 December 2009, 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.

The Company has received written annual confirmation from each independent non-executive director of his 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.

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 2009. 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"), all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself for re-election by shareholders at the first general meeting after appointment.

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

The Board reviewed its own structure, size and composition regularly to ensure that there is a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Company does not have written director nomination procedure.

The Chairman and the Chief Executive Officer are responsible for the selection and recommendation of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

The Board continued

Appointment and re-election of directors continued

Mr. Robert A. Ruijter, who was appointed as Non-Executive Director by the Board with effect from 30 October 2009, shall retire and being eligible, offer himself for re-election at the forthcoming general meeting pursuant to Article 117 of the Company's Articles.

In addition, Mr. Lee Shiu Hung, Robert, Miss Orasa Livasiri and Mr. Lo Tsan Yin, Peter shall retire by rotation 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.

The Board recommended the re-appointment of the directors standing for re-election at the 2010 annual general meeting of the Company.

The Company's circular dated 22 March 2010 contains detailed information of the directors standing for re-election.

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.

Board meetings

Board practices and conduct of meetings

Notices of regular Board meetings are served to 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 and Audit 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 executive 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.

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.

The Board continued

Board meetings continued

Directors' attendance records

Seven 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 and the Remuneration Committee during the year ended 31 December 2009 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship		
Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Arthur H. del Prado (Chairman of the Board and Remuneration committee)	6/7	N/A	1/1
Tang Koon Hung, Eric (resigned on 1 February 2010)	7/7	N/A	N/A
Lo Tsan Yin, Peter (Vice Chairman of the Board)	5/7	N/A	N/A
Lee Wai Kwong	7/7	N/A	N/A
Chow Chuen, James	7/7	N/A	N/A
Non-executive Directors			
Arnold J.M. van der Ven (resigned on 27 May 2009)	2/2	2/2	N/A
Robert A. Ruijter (appointed on 30 October 2009)	1/1	0/0	N/A
Independent Non-executive Directors			
Orasa Livasiri (Chairman of Audit Committee)	7/7	5/5	1/1
Lok Kam Chong, John	7/7	5/5	1/1
Lee Shiu Hung, Robert	7/7	5/5	1/1

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 the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2009.

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.

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.

The Board has established two committees, namely, the Remuneration Committee and the Audit Committee, for overseeing 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 Company's website 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 2009 are set out on page 60 in note 14 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee comprises four members during the year ended 31 December 2009. Mr. Arthur H. del Prado is the chairman while all other members are the independent non-executive directors.

The primary functions of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. 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 held one meeting during the year ended 31 December 2009 and the attendance records are set out under "Directors' attendance records" on page 33.

Remuneration of Directors continued

Remuneration Committee continued

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 2009.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other 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.

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 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.

Accountability and Audit continued

Audit Committee

The Audit Committee comprises the 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 during the year ended 31 December 2009. Miss Orasa Livasiri is the chairman of the committee. 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.

In 2009, a total of five meetings of Audit Committee were convened. The attendance record of the Audit Committee's members is shown on page 33. The following is a summary of the tasks completed by the Audit Committee during 2009:

- reviewed the Group's financial reports for the year ended 31 December 2008, for the six months ended 30 June 2009, and for the quarters ended 31 March 2009 and 30 September 2009;

- reviewed the financial reporting system;

- reviewed the effectiveness of internal controls system;

- reviewed risk management system;

- reviewed work plan for 2009 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.

Accountability and Audit continued

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 38.

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$5,102,000 and non-audit services amounted to HK$6,224,000 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.

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 chairmen of the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

All announcements and notices which have been published on the Stock Exchange's website are also available for viewing on the Company's own website.

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 will be taken by poll. Poll results will be posted on the websites of the Company and of the Stock Exchange following the shareholders' meeting.

Independent Auditor's Report

To the Members 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 39 to 73, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of 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 notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 as to 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 and true and fair presentation of the consolidated financial statements 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 2009 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
24 February 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	*7*	**4,732,174**	5,258,413
Cost of sales		**(2,776,579)**	(3,163,227)
Gross profit		**1,955,595**	2,095,186
Other income		**7,729**	11,833
Selling and distribution expenses		**(417,324)**	(465,509)
General and administrative expenses		**(166,509)**	(195,751)
Research and development expenses	*9*	**(307,467)**	(358,734)
Other losses and gains	*10*	**(6,254)**	16,541
Finance costs	*11*	**–**	(2)
Profit before taxation		**1,065,770**	1,103,564
Income tax expense	*12*	**(130,332)**	(129,891)
Profit for the year	*13*	**935,438**	973,673
Exchange differences on translation of foreign operations, representing other comprehensive income (expense) for the year		**2,338**	(13,825)
Total comprehensive income for the year		**937,776**	959,848
Earnings per share	*18*		
– Basic		**HK$2.38**	HK$2.49
– Diluted		**HK$2.37**	HK$2.48

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	*19*	**890,456**	1,004,105
Prepaid lease payments	*20*	**7,901**	8,321
Deposits paid for acquisition of property, plant and equipment		**19,339**	12,434
Deferred tax assets	*27*	**21,057**	9,993
		938,753	1,034,853
Current assets			
Inventories	*21*	**1,003,945**	900,958
Trade and other receivables	*22*	**1,572,752**	1,003,243
Prepaid lease payments	*20*	**494**	489
Bank balances and cash	*23*	**1,253,872**	845,521
		3,831,063	2,750,211
Current liabilities			
Trade and other payables	*24*	**1,167,831**	647,940
Taxation		**191,354**	271,112
		1,359,185	919,052
Net current assets		**2,471,878**	1,831,159
		3,410,631	2,866,012
Capital and reserves			
Share capital	*25*	**39,439**	39,236
Dividend reserve		**631,027**	196,178
Other reserves		**2,739,610**	2,628,686
Equity attributable to owners of the Company		**3,410,076**	2,864,100
Non-current liabilities			
Deferred tax liabilities	*27*	**555**	1,912
		3,410,631	2,866,012

The consolidated financial statements on pages 39 to 73 were approved and authorised for issue by the Board of Directors on 24 February 2010 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 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 January 2008	39,063	294,001	–	155	72,979	(60,398)	2,018,377	585,942	2,950,119
Profit for the year	–	–	–	–	–	–	973,673	–	973,673
Exchange differences on translation of foreign operations	–	–	–	–	–	(13,825)	–	–	(13,825)
Total comprehensive income for the year	–	–	–	–	–	(13,825)	973,673	–	959,848
Sub-total	39,063	294,001	–	155	72,979	(74,223)	2,992,050	585,942	3,909,967
Recognition of equity-settled share-based payments	–	–	86,954	–	–	–	–	–	86,954
Shares issued under the Employee Share Incentive Scheme	173	86,781	(86,954)	–	–	–	–	–	–
2007 final dividend paid	–	–	–	–	–	–	–	(429,691)	(429,691)
2007 second special dividend paid	–	–	–	–	–	–	–	(156,251)	(156,251)
2008 interim dividend paid	–	–	–	–	–	–	(351,565)	–	(351,565)
2008 first special dividend paid	–	–	–	–	–	–	(195,314)	–	(195,314)
2008 final dividend proposed	–	–	–	–	–	–	(196,178)	196,178	–
At 31 December 2008 and 1 January 2009	39,236	380,782	–	155	72,979	(74,223)	2,248,993	196,178	2,864,100
Profit for the year	–	–	–	–	–	–	935,438	–	935,438
Exchange differences on translation of foreign operations	–	–	–	–	–	2,338	–	–	2,338
Total comprehensive income for the year	–	–	–	–	–	2,338	935,438	–	937,776
Sub-total	39,236	380,782	–	155	72,979	(71,885)	3,184,431	196,178	3,801,876
Recognition of equity-settled share-based payments	–	–	39,792	–	–	–	–	–	39,792
Shares issued under the Employee Share Incentive Scheme	203	39,589	(39,792)	–	–	–	–	–	–
2008 final dividend paid	–	–	–	–	–	–	–	(196,178)	(196,178)
2009 interim dividend paid	–	–	–	–	–	–	(78,471)	–	(78,471)
2009 first special dividend paid	–	–	–	–	–	–	(156,943)	–	(156,943)
2009 final dividend proposed	–	–	–	–	–	–	(473,270)	473,270	–
2009 second special dividend proposed	–	–	–	–	–	–	(157,757)	157,757	–
At 31 December 2009	39,439	420,371	–	155	72,979	(71,885)	2,317,990	631,027	3,410,076

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before taxation	**1,065,770**	1,103,564
Adjustments for:		
Depreciation	**225,941**	219,468
Loss (gain) on disposal of property, plant and equipment	**98**	(2,960)
Release of prepaid lease payments	**494**	489
Share-based payments under the Employee Share Incentive Scheme	**39,792**	86,954
Interest income	**(5,196)**	(12,030)
Interest expense	**–**	2
Operating cash flows before movements in working capital	**1,326,899**	1,395,487
(Increase) decrease in inventories	**(102,600)**	16,713
(Increase) decrease in trade and other receivables	**(569,933)**	333,857
Increase (decrease) in trade and other payables	**519,231**	(270,591)
Effect of foreign exchange rate changes on inter-company balances	**(254)**	(19,867)
Cash generated from operations	**1,173,343**	1,455,599
Income taxes paid	**(222,339)**	(57,286)
Income taxes refunded	**811**	4,787
Interest paid	**–**	(2)
Net cash from operating activities	**951,815**	1,403,098
Investing activities		
Interest received	**5,196**	12,030
Proceeds from disposal of property, plant and equipment	**307**	5,016
Purchase of property, plant and equipment	**(98,140)**	(209,679)
Deposits paid for acquisition of property, plant and equipment	**(19,339)**	(12,434)
Net cash used in investing activities	**(111,976)**	(205,067)
Cash used in financing activity		
Dividends paid	**(431,592)**	(1,132,821)
Net increase in cash and cash equivalents	**408,247**	65,210
Cash and cash equivalents at beginning of the year	**845,521**	778,183
Effect of foreign exchange rate changes	**104**	2,128
Cash and cash equivalents at end of the year, represented by bank balances and cash	**1,253,872**	845,521

Notes to the Consolidated Financial Statements

For the year ended 31 December 2009

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 "Stock Exchange"). Its parent company is ASM Pacific Holding B.V. and its ultimate holding company is ASM International N.V. ("ASM International"), companies incorporated in the Netherlands. 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. Its principal subsidiaries are engaged in the design, manufacture and marketing of machines, tools and materials used in semiconductor industry.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s)

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s) continued

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has changed the basis of measurement of the Group's segment profit or loss (see note 8). However, the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[7]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) – INT 14 (Amendment)	Prepayments to a minimum funding requirement[3]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendment that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 January 2010.

6 Effective for annual periods beginning on or after 1 January 2013.

7 Effective for annual periods beginning on or after 1 July 2010.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s) continued

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment will be effective from 1 January 2010, with earlier application permitted. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendment to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated 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 sale of goods is recognised when the goods are delivered and title has been passed.

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.

3. Significant Accounting Policies continued

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production of goods, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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.

An item of property, plant and equipment is derecognised 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Research and development expenditure

Expenditure on research activities is recognised 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 recognised 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 recognised 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 recognised, 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 amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. Significant Accounting Policies continued

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 as reported in the consolidated statement of 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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies continued

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. Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and released over the lease term on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised on 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 recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly 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 trade and other receivables, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies continued

Financial instruments continued

Impairment of financial assets continued

Loans and receivables assessed not to be impaired individually are subsequently 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 credit period of 30 days to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

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 recognised 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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies continued

Foreign currencies continued

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) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 recognised in other comprehensive income and accumulated equity (translation reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Share-based payment transactions

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 estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to employee share-based compensation reserve.

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to expense items are recognised 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 recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

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 2009, the carrying amount of inventories was HK$1,003,945,000. The management reviews the inventory age listing on a periodical basis to identify slow-moving, obsolete and defective inventories. The management estimates that the net realisable 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.

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 maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists 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

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,797,301**	1,835,967
Financial liabilities		
Amortised costs	**902,028**	499,685

Financial risk management objectives and policies

The Group's major financial instruments include bank balances and cash, trade and other receivables, and trade and other payables. Details of the financial instruments are disclosed in the 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 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 66% and 82% 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.

6. Financial Instruments continued

Financial risk management objectives and policies continued

Market risk continued

Currency risk continued

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

	Currency	Assets		Liabilities	
		2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
US dollars	US$	**1,505,730**	1,145,623	**336,306**	162,700
Renminbi	RMB	**248,655**	96,175	**153,055**	50,507
Japanese Yen	JPY	**151,293**	67,029	**134,561**	60,539
Singapore dollars	SG$	**39,822**	28,574	**60,216**	56,071
Others		**54,435**	18,078	**63,244**	24,093

Majority of its foreign currency sales are denominated in US dollars which are linked up with Hong Kong dollars, where Hong Kong dollars is the functional currency of the Group entities. The Group has limited currency exposure to US dollars. On the other hand, the disbursements were mainly in US dollars, Hong Kong dollars and Renminbi, which are the functional currencies of the relevant group entities. The currency risk of some limited Japanese Yen-based receivables was eliminated against some Japanese Yen trade payables. 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.

Sensitivity analysis

The Group is mainly exposed to Renminbi, Japanese Yen and Singapore dollars.

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.

	Renminbi impact			Japanese Yen impact			Singapore dollars impact		
	2009 HK$'000	2008 HK$'000		**2009 HK$'000**	2008 HK$'000		**2009 HK$'000**	2008 HK$'000	
(Decrease) increase on post tax profit	**(4,780)**	(2,283)	(i)	**(837)**	(325)	(ii)	**1,020**	1,375	(iii)

6. Financial Instruments continued

Financial risk management objectives and policies continued

Market risk continued

Currency risk continued

Sensitivity analysis continued

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

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

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

Interest rate risk

The interest income is derived from the Group's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in Hong Kong and overseas countries.

The cash flow interest rate risk relates primary to the Group's bank deposits (set out in note 23) carried at prevailing market rates. The Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

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 2009 in relation to each class of recognised 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 authorised banks in the 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.

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.

7. Turnover

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

8. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. However, the measurement of segment results has changed.

The Group has two reportable segments: sales of equipment and lead frame. They represent two major types of products manufactured by the Group. In prior year, the segment results represent the profit before taxation earned by each segment without allocation of interest income and finance costs. However, information reported to the chief operating decision maker for the purpose of resources allocation and assessment of performance is different. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income and unallocated corporate expenses.

Information regarding these segments is presented below. The segment results reported for the prior year have been restated to conform with the requirements of HKFRS 8.

Segment revenues and results

The following is an analysis of the Group's turnover and results by reportable segment:

	2009 **HK$'000**	2008 HK$'000 (restated)
Segment revenue from external customers		
Equipment	**3,639,774**	4,104,507
Lead frame	**1,092,400**	1,153,906
	4,732,174	5,258,413
Segment profit		
Equipment	**948,622**	1,056,197
Lead frame	**152,974**	52,185
	1,101,596	1,108,382
Interest income	**5,196**	12,030
Finance costs	**–**	(2)
Unallocated other income	**725**	13,644
Unallocated corporate expenses	**(41,747)**	(30,490)
Profit before taxation	**1,065,770**	1,103,564

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.

8. Segment Information continued

Segment revenues and results continued

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before taxation earned by each segment, excluding interest income, finance costs, unallocated other income and unallocated corporate expenses. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

All of the segment revenue reported above is from external customers.

Other segment information

2009

	Equipment HK$'000	**Lead frame HK$'000**	**Consolidated HK$'000**
Amounts regularly provided to chief operating decision maker:			
Capital additions	**72,256**	**38,318**	**110,574**
Amounts included in the measure of segment profit:			
Depreciation of property, plant and equipment	**143,192**	**82,749**	**225,941**
Release of prepaid lease payments	**50**	**444**	**494**
(Gain) loss on disposal of property, plant and equipment	**(90)**	**188**	**98**

2008

	Equipment HK$'000	Lead frame HK$'000	Consolidated HK$'000
Amounts regularly provided to chief operating decision maker:			
Capital additions	150,247	90,833	241,080
Amounts included in the measure of segment profit:			
Depreciation of property, plant and equipment	149,183	70,285	219,468
Release of prepaid lease payments	422	67	489
Gain on disposal of property, plant and equipment	(2,528)	(432)	(2,960)

8. Segment Information continued

Other segment information continued

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

	Non-current assets	
	2009	2008
	HK$'000	HK$'000
Mainland China	**521,144**	574,590
Malaysia	**198,495**	197,170
Singapore	**151,662**	189,050
Hong Kong	**40,922**	58,962
Taiwan	**2,308**	2,503
Europe	**1,032**	366
Others	**2,133**	2,219
	917,696	1,024,860

Note: Non-current assets excluded deferred tax assets.

Geographical information by location of market

	Turnover	
	2009	2008
	HK$'000	HK$'000
Mainland China	**1,589,767**	1,860,038
Taiwan	**948,264**	888,940
Korea	**702,820**	308,033
Malaysia	**466,102**	707,276
Thailand	**268,735**	277,771
Philippines	**237,221**	239,359
Hong Kong	**177,253**	355,402
United States of America	**164,332**	158,450
Japan	**62,805**	197,335
Singapore	**55,705**	144,990
Europe	**38,266**	79,646
Others	**20,904**	41,173
	4,732,174	5,258,413

The revenue from individual customer contributes less than 10% of the total sales of the Group.

9. Research and Development Expenses

Included in research and development expenses are depreciation for property, plant and equipment of HK$9,733,000 (2008: HK$8,173,000) and rental of land and buildings under operating leases of HK$7,461,000 (2008: HK$6,406,000).

10. Other Losses and Gains

	2009 HK$'000	2008 HK$'000
The (losses) gains comprise:		
(Loss) gain on disposal of property, plant and equipment	**(98)**	2,960
Net foreign exchange (loss) gain	**(6,156)**	13,581
	(6,254)	16,541

11. Finance Costs

The amount represented interest on notes payable to a bank wholly repayable within five years.

12. Income Tax Expense

	2009 HK$'000	2008 HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**109,241**	117,380
Other jurisdictions	**31,344**	18,158
	140,585	135,538
(Over) underprovision in prior years:		
Hong Kong	**(99)**	(32)
Other jurisdictions	**2,194**	133
	2,095	101
Deferred tax credit *(note 27)*		
Current year	**(12,348)**	(5,748)
	130,332	129,891

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

12. Income Tax Expense continued

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 was increased from 10% and 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC range from 20% to 25% (2008: 18% to 25%). During the year ended 31 December 2009, pursuant to the EIT Law, one of the Group's PRC subsidiaries changed the residual value of property, plant and equipment for tax purpose from 10% to 0%. The effect on deferred tax balance arising from the change amounting to HK$9,191,000 was credited to profit or loss.

The Group's profit arising from the manufacturing of semiconductor equipment and materials in Singapore is non-taxable under a tax incentive covering certain new products under the Manufacturing Headquarters ("MH") 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.

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 comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**1,065,770**	1,103,564
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**175,852**	182,088
Tax effect of expenses not deductible in determining taxable profit	**1,679**	2,308
Tax effect of income not taxable in determining taxable profit	**(1,937)**	(5,543)
Tax effect of tax losses not recognised	**13,915**	7,154
Utilisation of tax losses previously not recognised	**(863)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(13,987)**	(25,628)
Effect of tax exemption under the MH status	**(36,965)**	(32,101)
Other temporary difference arising from change in the EIT Law	**(9,191)**	–
Underprovision in prior years	**2,095**	101
Others	**(266)**	1,512
Tax charge for the year	**130,332**	129,891

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

The Company continued to receive letters from the Hong Kong Inland Revenue Department during the year ended 31 December 2009 seeking information relating to 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. The Group purchased tax reserve certificates amounting to HK$101,000,000 (2008: HK$73,000,000), as disclosed in note 22.

12. 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 have a case to pursue. The directors also consider that sufficient provision for taxation has been made in the consolidated financial statements and the amounts paid under the tax reserve certificates are finally recoverable.

13. Profit for the Year

	2009 **HK$'000**	2008 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**5,420**	6,586
Depreciation for property, plant and equipment	**225,941**	219,468
Employee benefits expense, including directors' emoluments	**975,147**	1,194,646
Minimum lease payments for land and buildings under operating leases	**48,527**	47,043
Release of prepaid lease payments	**494**	489
Shipping and handling expenses (included in selling and distribution expenses)	**23,019**	28,280
and after crediting:		
Government grants *(Note)*	**12,649**	428
Interest income on bank deposits	**5,196**	12,030

Note: Government grants included an amount of HK$10,672,000 (2008: nil) which has been received in the current year towards employment subsidy under the Jobs Credit Scheme in Singapore. This amount has been deducted in reporting staff costs for the year. The remaining amount represents mainly government grants received from government authorities in Mainland China.

14. Directors' Emoluments

The emoluments paid or payable to each of the ten (2008: nine) directors were as follows:

	Year ended 31 December 2009										
	Arthur H. del Prado HK$'000	Robert A. Ruijter HK$'000	Arnold J.M. van der Ven HK$'000	Lee Wai Kwong HK$'000	Lo Tsan Yin, Peter HK$'000	Chow Chuen, James HK$'000	Tang Koon Hung, Eric HK$'000	Orasa Livasiri HK$'000	Lee Shiu Hung, Robert HK$'000	Lok Kam Chong, John HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	–	300	300	300	900
Other emoluments											
Salaries and other benefits	–	–	–	5,757	5,282	3,865	2,805	–	–	–	17,709
Contributions to retirement benefits schemes	–	–	–	199	12	269	12	–	–	–	492
Performance related incentive bonus payments *(Note)*	–	–	–	1,738	1,750	1,400	315	–	–	–	5,203
Total emoluments	–	–	–	7,694	7,044	5,534	3,132	300	300	300	24,304

	Year ended 31 December 2008									
	Arthur H. del Prado HK$'000	Arnold J.M. van der Ven HK$'000	Lee Wai Kwong HK$'000	Lo Tsan Yin, Peter HK$'000	Chow Chuen, James HK$'000	Tang Koon Hung, Eric HK$'000	Orasa Livasiri HK$'000	Lee Shiu Hung, Robert HK$'000	Lok Kam Chong, John HK$'000	Total HK$'000
Fees	–	–	–	–	–	–	300	300	300	900
Other emoluments										
Salaries and other benefits	–	–	9,366	8,600	6,336	4,989	–	–	–	29,291
Contributions to retirement benefits schemes	–	–	216	295	280	12	–	–	–	803
Performance related incentive bonus payments *(Note)*	–	–	2,487	2,500	2,000	450	–	–	–	7,437
Total emoluments	–	–	12,069	11,395	8,616	5,451	300	300	300	38,431

Note: The performance related incentive bonus payment is determined with reference to the operating results, individual performance and comparable market statistics in both years.

For the year ended 31 December 2009, 334,000 shares (2008: 334,000 shares) of the Company were issued to certain executive directors under the Employee Share Incentive Scheme (the "Scheme"), and the fair value of these shares amounting to HK$6,530,000 (2008: HK$16,800,000) at the grant date was included in salaries and other benefits above.

No directors waived any emoluments in both years.

15. Employees' Emoluments

The five highest paid individuals included four (2008: four) directors, details of whose emoluments are set out in note 14. The emoluments of the remaining one (2008: one) individual were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**2,851**	4,385
Contributions to retirement benefits schemes	**91**	125
Performance related incentive bonus payments	**299**	432
	3,241	4,942

For the year ended 31 December 2009, 45,000 shares (2008: 45,000 shares) of the Company were issued to the relevant highest-paid employee under the Scheme, and the fair value of these shares amounting to HK$880,000 (2008: HK$2,264,000) at the grant date was included in salaries and other benefits above.

16. Retirement Benefits 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 amounting to HK$20,000 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 the profit or loss of HK$65,783,000 (2008: HK$65,914,000) represents contributions paid and payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$190,000 (2008: HK$280,000) arising from employees leaving the Group prior to completion of qualifying service period.

At 31 December 2009, there was forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years amounting to HK$16,000 (2008: nil).

17. Dividends

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year		
Interim dividend for 2009 of HK$0.20 (2008: HK$0.90) per share on 392,356,700 (2008: 390,628,000) shares	**78,471**	351,565
First special dividend for 2009 of HK$0.40 (2008: HK$0.50) per share on 392,356,700 (2008: 390,628,000) shares	**156,943**	195,314
Final dividend for 2008 of HK$0.50 (2008: final dividend for 2007 paid of HK$1.10) per share on 392,356,700 (2008: 390,628,000) shares	**196,178**	429,691
Second special dividend for 2007 of HK$0.40 per share on 390,628,000 shares	**–**	156,251
	431,592	1,132,821
Dividend declared after the year end		
Proposed final dividend for 2009 of HK$1.20 (2008: HK$0.50) per share on 394,392,100 (2008: 392,356,700) shares	**473,270**	196,178
Proposed second special dividend for 2009 of HK$0.40 per share on 394,392,100 shares (2008: nil)	**157,757**	–
	631,027	196,178

The final dividend of HK$1.20 and the second special dividend of HK$0.40 (2008: final dividend of HK$0.50) per share have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	2009 HK$'000	2008 HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the year)	**935,438**	973,673

	Number of shares (in thousand)	
Weighted average number of ordinary shares for the purposes of basic earnings per share	**392,451**	390,708
Effect of dilutive potential shares from the Employee Share Incentive Scheme	**1,622**	1,383
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**394,073**	392,091

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 2008	308,983	349,532	1,881,269	27,910	–	2,567,694
Exchange adjustment	(7,220)	(35)	(10,857)	(197)	–	(18,309)
Additions	–	34,856	202,667	3,557	–	241,080
Disposals	–	(17,304)	(14,100)	(101)	–	(31,505)
At 31 December 2008	301,763	367,049	2,058,979	31,169	–	2,758,960
Exchange adjustment	1,248	146	1,952	200	–	3,546
Additions	–	8,948	98,296	1,202	2,128	110,574
Disposals	(16)	(862)	(25,551)	(233)	–	(26,662)
At 31 December 2009	302,995	375,281	2,133,676	32,338	2,128	2,846,418
DEPRECIATION						
At 1 January 2008	131,809	254,934	1,166,933	18,055	–	1,571,731
Exchange adjustment	(1,527)	(188)	(5,081)	(99)	–	(6,895)
Provided for the year	13,025	37,934	167,001	1,508	–	219,468
Eliminated on disposals	–	(17,232)	(12,116)	(101)	–	(29,449)
At 31 December 2008	143,307	275,448	1,316,737	19,363	–	1,754,855
Exchange adjustment	274	124	894	98	–	1,390
Provided for the year	13,073	42,146	168,886	1,836	–	225,941
Eliminated on disposals	(3)	(853)	(25,174)	(194)	–	(26,224)
At 31 December 2009	156,651	316,865	1,461,343	21,103	–	1,955,962
CARRYING VALUES						
At 31 December 2009	146,344	58,416	672,333	11,235	2,128	890,456
At 31 December 2008	158,456	91,601	742,242	11,806	–	1,004,105

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

Buildings	4.2% to 4.5%
Leasehold improvements	$33\frac{1}{3}$%
Plant and machinery	10% to $33\frac{1}{3}$%
Furniture, fixtures and equipment	10% to 20%

20. Prepaid Lease Payments

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

Analysed for reporting purposes as:

	2009 HK$'000	2008 HK$'000
Current	**494**	489
Non-current	**7,901**	8,321
	8,395	8,810

21. Inventories

	2009 HK$'000	2008 HK$'000
Raw materials	**286,936**	221,667
Work in progress	**559,795**	528,991
Finished goods	**157,214**	150,300
	1,003,945	900,958

22. Trade and Other Receivables

	2009 HK$'000	2008 HK$'000
Trade receivables	**1,357,057**	855,053
Amounts due from ASM International – trade *(Note a)*	**32**	–
Other receivables, deposits and prepayments *(Note b)*	**114,663**	75,190
Tax reserve certificate recoverable	**101,000**	73,000
	1,572,752	1,003,243

An aging analysis of trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
Not yet due	**978,543**	546,857
Overdue within 30 days	**202,379**	121,404
Overdue within 31 to 60 days	**107,160**	76,278
Overdue within 61 to 90 days	**31,052**	57,678
Overdue over 90 days	**37,923**	52,836
	1,357,057	855,053

22. Trade and Other Receivables continued

Notes:

(a) Amount due from ASM International is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

(b) The amount included VAT receivables amounting to HK$67,067,000 (2008: HK$37,422,000).

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. Each customer has a pre-set maximum credit limit.

Included in the Group's trade receivables are debtors with aggregate amount of HK$378,514,000 (2008: HK$308,196,000) 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.

23. Bank Balances and Cash

Bank balances

Bank balances, current and fixed deposits carry interest at market rates which ranges from 0.001% to 2.325% (2008: 0.01% to 4.8%) per annum.

24. Trade and Other Payables

	2009 **HK$'000**	2008 HK$'000
Trade payables	**737,116**	324,631
Amounts due to subsidiaries of ASM International – trade *(Note a)*	**277**	185
Other payables and accrued charges *(Note b)*	**430,438**	323,124
	1,167,831	647,940

An aging analysis of trade payables is as follows:

	2009 **HK$'000**	2008 HK$'000
Not yet due	**497,834**	74,635
Overdue within 30 days	**189,557**	107,776
Overdue within 31 to 60 days	**39,075**	84,774
Overdue within 61 to 90 days	**4,284**	36,480
Overdue over 90 days	**6,366**	20,966
	737,116	324,631

24. Trade and Other Payables continued

Notes:

(a) Amounts due to subsidiaries of ASM International are not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

(b) The amount included deposits received from customers amounting to HK$136,835,000 (2008: HK$60,369,000).

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

25. Share Capital of the Company

	Number of shares		Share capital	
	2009	2008	**2009**	2008
	'000	'000	**HK$'000**	HK$'000
Issued and fully paid:				
At 1 January	**392,357**	390,628	**39,236**	39,063
Shares issued under the Scheme	**2,035**	1,729	**203**	173
At 31 December	**394,392**	392,357	**39,439**	39,236

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

During the year, 2,035,400 (2008: 1,728,700) shares were issued at par to eligible employees and members of management under the Scheme.

26. 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.

26. Employee Share Incentive Scheme continued

On 27 February 2008, the directors resolved to contribute HK$173,360 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 1,733,600 shares in the Company for the benefit of employees and members of the management of the Group upon expiration of the defined qualification period as determined by the Board of Directors. The vesting period of such grant was from 27 February 2008 to 15 December 2008. 1,728,700 of these shares entitlements were issued on 15 December 2008 and the estimated fair value of these shares at the grant date amounted to HK$86,954,000. 4,900 shares were forfeited and unallotted by the Company on the same date. The fair value was determined with reference to market value of shares at the grant date, and adjusted for the terms and conditions upon which the shares are granted.

On 2 March 2009, the directors resolved to contribute HK$205,660 to the Scheme, enabling the trustees of the Scheme to subscribe for a total of 2,056,600 shares in the Company for the benefit of employees and members of the management of the Group upon expiration of the defined qualification period as determined by the Board of Directors. The vesting period of such grant was from 2 March 2009 to 15 December 2009. 2,035,400 of these shares entitlements were issued on 15 December 2009 and the estimated fair value of these shares at the grant date amounted to HK$39,792,000. 21,200 shares were forfeited and unallotted by the Company on the same date. The fair value was determined with reference to market value of shares at the grant date, and adjusted for the terms and conditions upon which the shares are granted.

27. Deferred Taxation

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

	Depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
	(Note)			
At 1 January 2008	5,073	(2,088)	(5,597)	(2,612)
Credit to profit or loss for the year	(4,956)	–	(737)	(5,693)
Effect of changes in tax rate	(295)	–	240	(55)
Exchange differences	(6)	282	3	279
At 31 December 2008	(184)	(1,806)	(6,091)	(8,081)
(Credit) charge to profit or loss for the year	(9,322)	337	(3,363)	(12,348)
Exchange differences	2	(28)	(47)	(73)
At 31 December 2009	(9,504)	(1,497)	(9,501)	(20,502)

Note: The deferred tax arose from the temporary difference between the carrying amount of the property, plant and equipment and its tax base. As at 31 December 2009 and 2008, the tax depreciation was less than accounting depreciation. A deductible temporary difference arose, and resulted in a deferred tax asset. During the year ended 31 December 2009, one of the Group's PRC subsidiaries changed the residual value of property, plant and equipment for tax purpose from 10% to 0% and an amount of HK$9,191,000 was credited to profit or loss during the year ended 31 December 2009 (see note 12).

27. Deferred Taxation continued

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

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	555	1,912
Deferred tax assets	(21,057)	(9,993)
	(20,502)	(8,081)

At 31 December 2009, the Group had unused tax losses of HK$455,866,000 (2008: HK$421,664,000) available to offset future taxable profits. At 31 December 2009, a deferred tax asset amounting to HK$1,497,000 (2008: HK$1,806,000) was recognised for such losses and no deferred tax asset was recognised in respect of the remaining tax losses of HK$451,589,000 (2008: HK$416,504,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of HK$75,485,000 that will expire during the year 2010 to 2018 (2008: HK$65,142,000 that will expire during the year 2009 to 2017). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been provided for in the consolidated financial statements as the amount is not significant.

28. Contingent Liabilities

	2009 HK$'000	2008 HK$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	443	431

29. Capital Commitments

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	87,554	15,299
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	–	61,187
	87,554	76,486

30. Operating Lease Commitments

At 31 December 2009, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of property interests in land and buildings which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**47,772**	39,391
In the second to fifth years inclusive	**124,950**	30,623
Over five years	**40,111**	13,972
	212,833	83,986

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties and quarters. 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.

31. Share Option Schemes

ASM International 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 are priced at market value in Euros or US dollars on the grant date, and are generally vesting in equal parts over a period of five years and generally will expire after five or ten years from the grant date.

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 is as follows:

	Held by directors
At 1 January 2008 and 31 December 2008	248,894
Performance related vesting adjustment	(119,036)
On resignation as a director of the Company during the year	(69,417)
At 31 December 2009	60,441

The exercise price of the above outstanding options is Euro19.47 (2008: Ranged from Euro11.18 to Euro19.47).

32. Connected and Related Party Transactions

(a) During the year, the Group paid a management fee of HK$750,000 (2008: HK$750,000) to ASM International under a consultancy agreement between ASM International and the Company, which constituted a connected transaction as defined under the Listing Rules. Pursuant to the original consultancy agreement, an annual management fee of HK$1.5 million is payable to ASM International which acts as a consultant, introduces new business and provides assistance in business development, general management support and services, international expertise and market information to the Group. The annual management fee was revised to HK$750,000 effective from 1 January 2006. The consultancy agreement, which commenced on 5 December 1988, was for an initial period of three years and is terminable thereafter by six months' notice in writing by either party.

(b) Compensation of key management personnel

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

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**21,146**	25,121
Post-employment benefits	**743**	1,094
Share-based payments	**7,898**	20,170
	29,787	46,385

Certain shares of the Company were issued to the key management under the Scheme. 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.

33. Particulars of Principal Subsidiaries of the Company

Details of the principal subsidiaries at 31 December 2009 and 2008 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
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
ASM Asia Limited	Hong Kong	HK$27,000	HK$1,000	100%	–	Providing purchasing services to group companies
ASM Assembly Automation Limited	Hong Kong	HK$100,000	HK$1,000	100%	–	Manufacture and sale of semiconductor equipment
ASM Assembly Equipment Bangkok Limited	Thailand	–	Baht7,000,000	–	100%	Agency and marketing service
ASM Assembly Equipment (M) Sdn. Bhd.	Malaysia	–	MYR10,000	–	100%	Agency and marketing service
先導自動器材國際貿易（上海）有限公司 (ASM Assembly Equipment Trading (Shanghai) Co., Limited)*	PRC	–	US$200,000	–	100%	Trading in semiconductor equipment
ASM Assembly Materials Limited	Hong Kong	HK$2,000,000	HK$10,000	100%	–	Trading of semiconductor materials
ASM Assembly Products B.V.	Netherlands	–	Euro18,151	100%	–	Trading in semiconductor equipment
ASM Assembly Technology Co., Limited	Japan	–	JPY10,000,000	100%	–	Trading in 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 in semiconductor equipment
ASM Pacific Assembly Products, Inc.	United States of America	–	US$60,000	–	100%	Trading in semiconductor equipment
ASM Pacific (Bermuda) Limited	Bermuda	–	US$120,000	–	100%	Insurance services to group companies
ASM Pacific Investments Limited	Hong Kong	–	HK$2	100%	–	Investment holding and agency services
ASM Pacific KOR Limited	Hong Kong	–	HK$500,000	100%	–	Marketing services in Korea

33. 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
		Fixed-rate participating shares	Ordinary shares/ registered capital	Directly	Indirectly	
先進半導體材料（深圳）有限公司 (ASM Semi-conductor Materials (Shenzhen) Co., Ltd.)*	PRC	–	US$30,500,000 (2008: US$21,921,982)	–	100%	Manufacture of semiconductor equipment and materials
先進科技（中國）有限公司 (ASM Technology (China) Co., Limited)*	PRC	–	US$4,800,000 (2008: US$1,800,000)	–	100%	Research and development in semiconductor equipment
ASM Technology (M) Sdn. Bhd.	Malaysia	–	MYR74,000,000	100%	–	Manufacture of semiconductor equipment and materials
ASM Technology Singapore Pte Limited	Singapore	–	S$53,000,000	100%	–	Manufacture and sale of semiconductor equipment and materials
Edgeward Development Limited	Guernsey, Channel Islands	–	US$10,000	–	100%	Investment holding and provision of manufacturing and marketing infrastructure in Mainland China and Asia
進峰貿易（深圳）有限公司 (Edgeward Trading (Shenzhen) Limited)*	PRC	–	US$300,000	–	100%	Trading in semiconductor equipment and materials
深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Limited)	PRC	–	*(Note)*	–	*(Note)*	Manufacture of semiconductor equipment

Note: Under a joint venture agreement, the Group has committed to contribute 100% of the registered capital of HK$497,300,000 in 深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Limited) ("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 2009, the Group has paid up HK$497,300,000 (2008: HK$497,300,000) as registered capital of MET. The Group has to bear the entire risk and liabilities of MET and, other than an annual amount of HK$7,794,000 (2008: HK$7,399,000) attributable to assets provided by the PRC joint venture partner, 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 2009 in note 30.

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

33. Particulars of Principal Subsidiaries of the Company continued

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

The fixed-rate participating shares of the subsidiaries are held by ASM International. These shares carry no voting rights, no rights to participate in a distribution of profits, and very limited rights on a return of capital.

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.

Five Year Financial Summary

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**4,732,174**	5,258,413	5,392,661	4,555,953	3,536,855
Profit before taxation	**1,065,770**	1,103,564	1,450,125	1,278,774	903,924
Income tax expense	**(130,332)**	(129,891)	(180,628)	(129,297)	(53,439)
Profit for the year	**935,438**	973,673	1,269,497	1,149,477	850,485

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Non-current assets	**938,753**	1,034,853	1,040,759	868,995	817,099
Current assets	**3,831,063**	2,750,211	3,019,792	2,617,736	2,230,975
Current liabilities	**(1,359,185)**	(919,052)	(1,108,904)	(922,590)	(651,583)
Net current assets	**2,471,878**	1,831,159	1,910,888	1,695,146	1,579,392
Non-current liabilities	**(555)**	(1,912)	(1,528)	(2,067)	(2,957)
Equity attributable to owners of the Company	**3,410,076**	2,864,100	2,950,119	2,562,074	2,393,534

ASM Pacific Technology Limited

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

Subsidiaries

ASM Asia Limited
ASM Assembly Automation Limited
ASM Assembly Materials Limited
ASM Technology Singapore Pte Limited
ASM Technology (M) Sdn. Bhd.
Shenzhen ASM Micro Electronic Technology Company Limited
ASM Semi-conductor Materials (Shenzhen) Company Limited

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