ENABLING THE DIGITAL WORLD

開拓數碼世界

ASM

Pacific Technology

(STOCK CODE 股份代號: 0522)

ASM Pacific Technology Limited

Accelerating Ahead with

MULTIPLE GROWTH DRIVERS

多元增長動力　帶動全方位增長

Interim Report 2017 中期報告

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Independent Non-Executive Directors:

Orasa Livasiri, *Chairman*
Lok Kam Chong, John
Wong Hon Yee
Tang Koon Hung, Eric

Non-Executive Directors:

Charles Dean del Prado
Petrus Antonius Maria van Bommel

Executive Directors:

Lee Wai Kwong
Tsui Ching Man, Stanley
Robin Gerard Ng Cher Tat

AUDITOR

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

PRINCIPAL BANKERS

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

SECRETARY

So Sau Ming

REGISTERED OFFICE

Whitehall House
238 North Church Street
P.O. Box 1043, George Town
Grand Cayman KY1-1102
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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE AND CONTACT

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

FINANCIAL HIGHLIGHTS

ASMPT CONTINUES SETTING NEW RECORDS

First Half of 2017

- Group revenue of US$1.05 billion, representing increases of 25.3% and 6.1% over the first six-month period of last year and over the second six-month period of last year, respectively
- Net profit of HK$1.48 billion, representing surges of 206.8% and 54.8% as compared with the first and second six-month period of the last year, respectively
- Excluding the non-cash gain related to the adjustment of liability component of convertible bonds amounted to HK$202.1 million, the Group's net profit amounted to HK$1.28 billion, improved by 164.9% and 33.7% as compared with the first and second six-month period of the last year, respectively
- Earnings per share of HK$3.66 for the first half of 2017
- Back-end equipment revenue of US$568.7 million, representing increases of 35.6% and 11.6% over the first and second six-month period of last year, respectively
- Record Materials revenue of US$135.9 million, representing increases of 16.3% and 9.4% over the first and second six-month period of last year, respectively
- SMT Solutions revenue of US$348.8 million, representing an increase of 14.7% over the first six-month period of last year but a contraction of 3.0% against the second six-month period of last year
- Record new order bookings of US$1.27 billion, representing increases of 30.8% and 40.0% over the first and second six-month period of last year, respectively
- Record order backlog of US$650.6 million as of 30 June 2017

Second Quarter of 2017

- Group revenue of US$568.6 million, representing increases of 17.6% and 20.6% over the preceding quarter and the same period last year, respectively
- Net profit of HK$750.8 million, representing an increase of 3.0% over the preceding quarter and a surge of 111.9% over the same period last year
- Excluding the non-cash gain related to the adjustment of liability component of convertible bonds amounted to HK$202.1 million in the preceding quarter, the Group's net profit improved by 42.4% over the preceding quarter
- Earnings per share of HK$1.85 for the second quarter 2017
- Record Back-end equipment revenue of US$311.1 million, representing increases of 21.1% and 22.3% over the preceding quarter and the same period last year, respectively
- Record Materials revenue of US$71.7 million, representing increases of 12.2% and 16.4% over the preceding quarter and the same period last year, respectively
- SMT Solutions revenue of US$185.8 million, representing increases of 14.3% and 19.5% over the preceding quarter and the same period last year, respectively
- Record new order bookings of US$661.0 million, representing increases of 8.6% and 17.8% over the preceding quarter and the same period last year, respectively
- Cash and bank deposits of HK$2.97 billion as of 30 June 2017

FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue	4,424,164	3,669,208	8,185,401	6,531,282
Cost of sales	(2,609,614)	(2,234,829)	(4,869,583)	(4,150,799)
Gross profit	1,814,550	1,434,379	3,315,818	2,380,483
Other income	14,716	9,163	30,747	14,434
Selling and distribution expenses	(356,283)	(320,350)	(689,345)	(606,210)
General and administrative expenses	(232,716)	(199,697)	(413,585)	(371,697)
Research and development expenses	(355,040)	(310,565)	(672,747)	(576,851)
Adjustment of liability component of convertible bonds	–	–	202,104	–
Other gains and losses	5,996	(26,401)	(5,989)	(31,324)
Restructuring costs	–	(78,863)	–	(80,257)
Finance costs	(43,769)	(42,174)	(83,701)	(91,663)
Profit before taxation	847,454	465,492	1,683,302	636,915
Income tax expense	(96,660)	(111,107)	(203,329)	(154,599)
Profit for the period	750,794	354,385	1,479,973	482,316
Profit for the period attributable to:				
Owners of the Company	756,228	359,323	1,492,252	493,115
Non-controlling interests	(5,434)	(4,938)	(12,279)	(10,799)
	750,794	354,385	1,479,973	482,316
Earnings per share				
– Basic	HK$1.85	HK$0.89	HK$3.66	HK$1.22
– Diluted	HK$1.83	HK$0.89	HK$3.15	HK$1.22

CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved revenue of HK$8.19 billion (US$1.05 billion) for the six months ended 30 June 2017, representing an increase of 25.3% as compared with HK$6.53 billion (US$841.1 million) for the first six months of 2016 and an increase of 6.1% over the preceding six months. The Group's consolidated profit after taxation for the first six months of 2017 was HK$1.48 billion as compared with a profit of HK$482.3 million in the corresponding period in 2016 and a profit of HK$956.1 million in the preceding six months. Basic earnings per share (EPS) for the first six months of 2017 amounted to HK$3.66 (first six months of 2016: HK$1.22, second six months of 2016: HK$2.39).

DIVIDEND

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK$1.20 (2016: HK$0.80) per share, payable to shareholders whose names appear on the Register of Members of the Company on 16 August 2017.

REVIEW

The Group achieved solid performance and set many new records during the first half of 2017 primarily due to strong orders for CMOS Imaging Sensors (CIS), IC/Discrete, Advanced Packaging and SMT Equipment. Bookings of both the Group and the SMT Solutions Segment attained new records during the second quarter and the first half of this year. The Materials Segment achieved a new record in both its billings and bookings during the first half of this year. Both the Back-end Equipment Segment and the Materials Segment set new record in billings in Q2 this year.

Group revenue for the first six months of this year amounted to US$1.05 billion representing year-on-year growth of 25.3%. Group bookings for the first six months attained a new six months record of US$1.27 billion, representing a surge of 30.8% year-on-year.

During the first half of this year, the Back-end Equipment Segment took the lead as its revenue and bookings rose 35.6% and 32.2% year-on-year, respectively. Billings of the Materials Segment grew 16.3% year-on-year while its bookings surged by 31.8% year-on-year. Bookings for SMT Solutions Segment attained an all-time high during the first six months, underpinned by the new investment cycle for smartphones production. Bookings of SMT Solutions Segment increased 28.4% year-on-year while billings increased 14.7% year-on-year to US$348.8 million.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

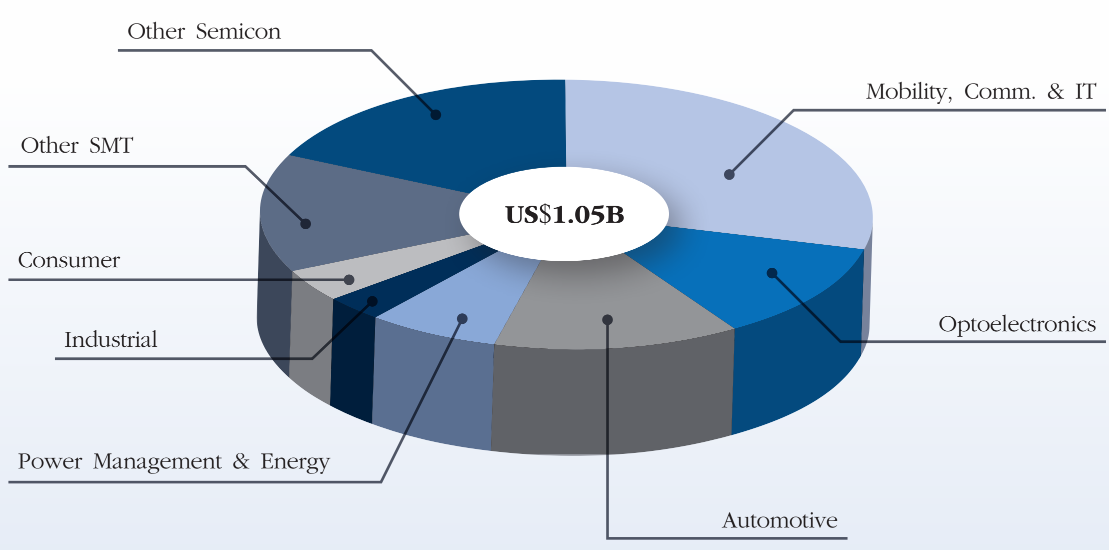
Profitability of the Group has continued to improve. The Group achieved gross margin of 41.0% and 40.5% for the second quarter and the first half of this year, respectively. During the second quarter this year, the Group's Back-end Equipment Segment achieved gross margin of 48.0%. Net profits of the Group during the first half of this year made an improvement of 206.8% compared with the same period of last year. The strong performance was a result of several contributing factors including increased production volume, on-going cost reduction efforts and favorable product mix.

Group	Vs. 1H 2016 YoY	Vs. 2H 2016 HoH
Bookings	+30.8%	+40.0%
Revenue	+25.3%	+6.1%
Gross Margin	+406bps	+194bps
Net Profit	+164.9%*	+33.7%*
Net Profit Margin	+823bps*	+322bps*

* Excluding the non-cash gain related to the adjustment of liability component of convertible bonds amounted to HK$202.1 million for the first half of 2017

By application market, Mobility, Communication & IT was the most important driver for the Group's performance in the first half this year. Its contribution to the Group's billings had further gone up to a high 20%. It was followed by the Automotive and the Power Management & Energy markets. Contribution from the Opto market had come down. The Automotive market had surpassed the Opto market slightly to become the second largest application market for the Group. However, we expect contribution from the Opto market to pick up in the second half of this year.

1H 2017 REVENUE BY APPLICATION MARKET



CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Group bookings for the second quarter of this year grew 17.8% year-on-year to US$661.0 million. This new quarterly record attained was slightly ahead of what the Group had anticipated at the beginning of the quarter. In particularly, bookings for the Materials Segment experienced a strong year-on-year growth of 27.8% while the SMT Solutions Segment's bookings set a new record with 24.1% year-on-year growth. Group billings for the second quarter of 2017 increased 20.6% year-on-year to US$568.6 million. Due to some late order entries and requests for postponement of delivery schedules by some customers, Group billings in Q2 fell slightly short of what the Group had anticipated during the beginning of the quarter. The delays came mainly from customers who were in the supply chain of smartphones. However, the Group is confident that the deliveries will materialize during the second half of this year. Both the Back-end Equipment and Materials Segments achieved new quarterly billing records during the second quarter of this year.

During the first half of this year; our three core businesses, namely, the Back-end Equipment Segment, the Materials Segment and the SMT Solutions Segment contributed 54.0%, 12.9% and 33.1% respectively to the Group billings. By geographical distribution, China inclusive of Hong Kong (49.8%), Europe (14.2%), Malaysia (7.5%), Taiwan (6.3%) and Americas (6.0%) are the top five markets for ASMPT in the first half of this year. Comparing with the same period last year, we experienced very strong growth from Korea, Taiwan and the South East Asia markets. The successful execution of our aggressive diversified market strategy saw our top five customers collectively accounted for 16.1% of our total sales during the first half of 2017, with no single customer exceeding 10%. 80% of the Group's turnover in the first six-month period came from 124 customers. Among the top 20 customers of the Group, 7 were from SMT Solutions business.

The book-to-bill ratio of the Group for the first six months was 1.21. Group backlog as of the end of June this year rose to US$650.6 million, an increase of 18.0% from the end of the first quarter this year.

Group	Q2 2017	
	YoY	QoQ
Bookings	+17.8%	+8.6%
Revenue	+20.6%	+17.6%
Gross Margin	+192bps	+110bps
Net Profit	+111.9%	+42.4%*
Net Profit Margin	+731bps	+296bps*

* Excluding the non-cash gain related to the adjustment of liability component of convertible bonds amounted to HK$202.1 million in Q1 2017

Over the past few years, the Group started to implement a number of strategic changes:

- Shifted from purely internal organic growth to pursuing both internal organic growth and strategic merger & acquisitions;
- Re-organized the Group into three core business segments with full profit & loss accountability;
- Shifted from 100% internal vertically integrated manufacturing model to both internal and external manufacturing and flexible production work force to cope with volatile market demand;

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

- Recognizing the Group's competitive strengths have extended from manufacturing cost effectiveness to the Group's breadth and depth of enabling technologies and strong marketing network in Asia;
- Focusing on innovation to create higher values for customers;
- Engaging leading customers in the development of new cutting-edge solutions for the markets;
- Pursuing robotics and smart manufacturing to enhance productivity.

The Group is pleased that these changes are bearing fruit. All three of our core business segments are making solid progresses and have broken new records during the first half of this year. We expect some of them to continue breaking new records during the second half of this year. Our multiple product growth drivers are firmly in place now. They will not only enable the Group to achieve multiple new records in 2017 but to continuously bring the Group to new heights going forward.

Q2 2017	Back-end Equipment Segment		Materials Segment		SMT Solutions Segment	
	YoY	QoQ	YoY	QoQ	YoY	QoQ
Bookings	+11.2%	+0.6%	+27.8%	–14.9%	+24.1%	+32.6%
Revenue	+22.3%	+21.1%	+16.4%	+12.2%	+19.5%	+14.3%
Gross Margin	+388bps	+143bps	–359bps	–134bps	+34bps	+69bps
Segment Profit	+47.2%	+32.9%	–30.9%	–13.5%	+57.6%	+34.4%
Segment Profit Margin	+459bps	+242bps	–424bps	–185bps	+383bps	+237bps

1H 2017	Back-end Equipment Segment		Materials Segment		SMT Solutions Segment	
	YoY	HoH	YoY	HoH	YoY	HoH
Bookings	+32.2%	+46.6%	+31.8%	+18.2%	+28.4%	+40.3%
Revenue	+35.6%	+11.6%	+16.3%	+9.4%	+14.7%	–3.0%
Gross Margin	+492bps	+321bps	–289bps	–71bps	+398bps	+77bps
Segment Profit	+90.6%	+30.2%	–17.2%	–7.2%	+100.6%	+5.3%
Segment Profit Margin	+752bps	+371bps	–286bps	–126bps	+632bps	+116bps

Back-end Equipment Segment

Back-end Equipment Segment attained a new quarterly billing record during the second quarter this year.

During Q2 of this year, billings of Back-end Equipment amounted to US$311.1 million, which represented increases of 22.3% over the same period a year ago. During the second quarter of this year, the Back-end Equipment Segment contribution to the Group billings was 54.7%. Back-end Equipment Segment billings during the first six months of this year was US$568.7 million, representing improvements of 35.6% against the same period a year ago.

REVIEW (Continued)

Back-end Equipment Segment (Continued)

New order bookings for Back-end Equipment in Q2 of this year increased 11.2% year-on-year. For the first six months, Back-end Equipment bookings rose 32.2% when compared with the same period a year ago. During the first half of this year, the Group experienced strong demand for CIS, IC/Discrete and Advanced Packaging Equipment while demand for Opto Equipment experienced a small contraction as compared with the same period of last year.

CIS equipment has become the leading growth driver for the Group's Back-end equipment business as the Group holds a strong market position in this application market. The proliferation of dual camera in smartphones has fueled the increase in demand for both the CIS assembly equipment and the active alignment ("AA") machines. As a result, the Group's CIS Equipment business rose by more than 100% during the first six months of this year when compared with the same period of last year. It has surpassed the Opto equipment to become the second largest pillar of the Group's Back-end Equipment Segment. At the same time, the Group has started shipping equipment for assembly of 3D sensing modules, a technology which is expected to enhance consumers' photography experience and one of the enablers for Augmented Reality ("AR") applications.

Our investment in developing a product portfolio for the Advanced Packaging market continues to bear fruit. The Group has successfully developed an extensive product portfolio, which includes AD8312FC for high speed flip chip bonding; the Phoenix and the FireBird Thermo-Compression Bonder ("TCB") for high IO and high accuracy flip chip bonding; the Nucleus and the SIPLACE CA for pick and place for wafer/panel level fan-out ("WLFO"/"PLFO"); the ALSI Laser Dicing System for wafer grooving and package singulation; the ORCAS for wafer-level encapsulation, and the DEK printer and the Sunbird for pick, test, inspect and pack. This unparalleled product portfolio has expanded ASMPT's Served Available Market ("SAM") and helped the Group to strategically position itself to capture the future growth opportunities.

During the first half of this year, the Group's revenue from high speed flip chip bonder experienced very strong growth as compared with the same period last year. The new generation TCB bonder, the FireBird, has drawn good attention from various customers and volume shipment is expected to commence from the second half of this year. The Group has also started shipping its Nucleus series pick and place machines for WLFO & PLFO application. The total revenue contribution from the Advanced Packaging market is still relatively small for the Group; however, we believe the Group is moving on the right track.

The Group continues to expand its product portfolio of the Back-end Equipment Segment in order to offer customers higher value-add, for instance, AOI, an automatic optical inspection machine is just one example. During the first six months, revenues from our AOI business surged 9.8 times when compared with the small volume of revenue generated during the same period last year. Today, the Group's AOI business focuses mainly to serve the CIS and the Automotive markets.

The Back-end Equipment Segment achieved gross margin of 48.0% and 47.4% during Q2 and the first half this year, respectively. This represents year-on-year improvement of 388bps and 492bps. Segment result margin for the first half of this year improved from 18.5% a year ago to 26.0%. The strong improvement in gross margin was mainly due to product mix and volume effect. The strategic changes that the Group introduced in the past few years are bearing fruit.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Materials Segment

Our Materials Segment made new billing records in quarter two as well as new billing and booking records during the first half of this year.

In Q2, Materials Segment billings amounted to US$71.7 million, representing an improvement of 16.4% year-on-year. Materials Segment billings for the six months period amounted to US$135.9 million, representing improvement of 16.3% against the same period a year ago. Materials Segment contributed 12.6% to the Group billings during the second quarter of this year. For the first six months, Materials Segment booking increased by 31.8% as compared with the same period a year ago.

During the second quarter, new bookings for Materials Segment grew by 27.8% year-on-year but fell by 14.9% quarter-on-quarter. This contraction is expected due to the extraordinary strong booking experienced in Q1 this year. Despite the slight contraction, the Group in general is satisfied with the strong year-on-year growth in bookings for Q2 as well as the first six months this year. The Materials Segment achieved gross margin of 12.9% and 13.6% during Q2 and the first half this year, respectively.

SMT Solutions Segment

New booking records were achieved for the SMT Solutions Segment in both Q2 and the first half of this year. The SMT Solutions Segment benefited from the new investment cycle of production of new generation smartphones. The Group had won a major order from one of its customers. Part of the order had been booked in Q2 while the remaining was expected to be booked in the second half of this year. Most of the billings for this order will be reflected in the results of the second half of this year.

In the second quarter, SMT Solutions Segment billings were US$185.8 million, representing an improvement of 19.5% as compared with the same period a year ago. The SMT Solutions Segment contributed 32.7% to the Group billings during the second quarter of this year. During the six-month period, SMT Solutions Segment billings amounted to US$348.8 million, representing an increase of 14.7% against the first half of last year.

New order bookings for SMT Solutions Segment for the six-month period improved by 28.4% as compared with the same period last year. In Q2, new order bookings rose 24.1% against the same period a year ago. The SMT Solutions Segment achieved gross margin of 40.1% and 39.8% during Q2 and the first half of this year, respectively.

RESEARCH AND DEVELOPMENT

During the past six months, ASMPT has been relentlessly investing in research and development in order to remain at the forefront of technological innovations.

Our strategy lies in our ability to deliver the best innovative products with differentiated values to our customers. We adopted the long standing policy of investing up to 10% of our annual equipment revenue in R&D irrespective of short-term sales fluctuations. Customers have benefited from ASMPT's depth and breadth of enabling technologies, strong financial resources and excellent infrastructure support.

Research and development expenses year to date were HK$672.7 million and the Group has obtained more than 1,000 patents on leading-edge technologies. As of 30 June 2017, the Group operates six research and development centers in Hong Kong, Chengdu (China), Singapore, Munich (Germany), Weymouth (United Kingdom) and Beuningen (The Netherlands), hiring more than 1,700 R&D employees.

CHAIRMAN'S STATEMENT (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

Return on sales was 18.9% for the six-month period of this year. Annualized return on capital employed and on invested capital for the past six months were 27.8% and 36.7% respectively.

Our ending inventory as of 30 June 2017 rose to HK$5.31 billion, as compared with HK$4.25 billion as of 31 December 2016, mainly due to an increase in sales level. Our annualized inventory turn was 3.42 times (first half of 2016: 3.39 times).

Days sales-outstanding increased to 96.7 days from 84.4 days in the second half of 2016. Capital expenditure in the first six months was HK$202.7 million, which was fully funded by depreciation and amortization of HK$229.7 million for the same period. After paying last year's final dividend totaling HK$449.1 million in May, funding capital investment and paying off some bank loans in the first half of 2017, cash and bank deposits as of 30 June 2017 were HK$2.97 billion, which was HK$239.6 million lower than the preceding six months. Our current ratio stands at 2.95 and we have a debt-equity ratio of 21.9% (debt represents all bank borrowings and convertible bonds).

Bank borrowings, which are mainly arranged to support day-to-day operations and to finance our growth activities, are denominated in U.S. dollars. The Group used the net proceeds of the convertible bonds, which were denominated in Hong Kong Dollars, raised in year 2014 with an annual coupon of 2.00%, and due in 2019, to fund the acquisition of the DEK business and other working capital requirements. Cash holdings of the Group are mainly in U.S dollars, Euros, Chinese Renminbi and Hong Kong Dollars. The Group's SMT Solutions Segment enters into U.S dollars and Euro hedging contracts to mitigate the foreign currency risks as a significant portion of the production of the Group's SMT Equipment and its suppliers are located in Europe while a substantial part of the Group's revenue for SMT Solutions Segment is denominated in U.S Dollars.

The Group has decided to adopt a sustainable and gradually increasing dividend policy. After considering the near to mid-term cash flow need of the Group, the Board recommends interim dividend of HK$1.20 per share.

HUMAN RESOURCE

As of 30 June 2017, the total headcount for the Group globally was approximately 16,800 employees which include 2,300 temporary, short-term contract and outsourced employees. Our employees, being our greatest assets, formed the bedrock of the Group and it is important to nurture and retain the right talents through various schemes and motivations to help our employees build and strengthen their competencies. Besides offering competitive remuneration packages and other benefits such as contribution to provident fund schemes and medical benefits, the Group is committed to providing regular and extensive training programs so as to equip our employees to be future-ready. Discretionary bonus and incentives shares were also granted to eligible staffs based on the Group's financial results and individual performance.

The total human resource costs of the Group for the first six months of 2017 were HK$2.18 billion, as compared with HK$1.91 billion during the same period of 2016. This year, the Board granted a total of 3,363,300 incentives shares to around 1,400 employees, inclusive of the three Executive Directors of the Company. The vesting period of these incentives shares will end on 15 December 2017, 14 December 2018 and 16 December 2019 respectively.

PROSPECTS

So far, the market has been developing on track with our expectation. The Group is particularly encouraged by the current strong booking momentum of leadframes, which have been serving as a leading indicator of the market condition. After two quarters of strong bookings, we expect bookings for the Back-end Equipment and Materials Segments to start to slow down from the third quarter of the year in line with seasonality. However, we believe SMT Solutions Segment bookings in Q3 could improve by up to a low double digit percentage over Q2 subject to the timing of smartphone orders for SMT equipment. Based on the current strong backlog level, we expect Group billings in Q3 this year will either be at a similar level as Q2 or to grow by a single digit percentage quarter-on-quarter.

Billings for the SMT Solutions Segment are anticipated to show strong growth quarter-on-quarter, while billings for the Back-end Equipment and the Materials Segments may stay flat or contract slightly as compared with Q2 this year. Gross margin of the Group is expected to be at a similar level of Q2.

Assuming that macro-economic condition is not going to have a sudden negative impact on ASMPT's business during the second half of this year, we believe the Group stands a very good chance to attain new records in full year billings and bookings in 2017.

Orasa Livasiri
Chairman
25 July 2017

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF ASM PACIFIC TECHNOLOGY LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 41, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 July 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
	Notes	**2017 HK$'000 (Unaudited)**	2016 HK$'000 (Unaudited)
Revenue	*3*	**8,185,401**	6,531,282
Cost of sales		**(4,869,583)**	(4,150,799)
Gross profit		**3,315,818**	2,380,483
Other income		**30,747**	14,434
Selling and distribution expenses		**(689,345)**	(606,210)
General and administrative expenses		**(413,585)**	(371,697)
Research and development expenses		**(672,747)**	(576,851)
Adjustment of liability component of convertible bonds	*5*	**202,104**	–
Other gains and losses	*6*	**(5,989)**	(31,324)
Restructuring costs	*7*	**–**	(80,257)
Finance costs	*8*	**(83,701)**	(91,663)
Profit before taxation		**1,683,302**	636,915
Income tax expense	*9*	**(203,329)**	(154,599)
Profit for the period		**1,479,973**	482,316
Profit for the period, attributable to:			
– Owners of the Company		**1,492,252**	493,115
– Non-controlling interests		**(12,279)**	(10,799)
		1,479,973	482,316
Earnings per share	*11*		
– Basic		**HK$3.66**	HK$1.22
– Diluted		**HK$3.15**	HK$1.22

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**1,479,973**	482,316
Other comprehensive income		
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**318,612**	30,426
Total comprehensive income for the period	**1,798,585**	512,742
Total comprehensive income for the period attributable to:		
Owners of the Company	**1,810,872**	523,462
Non-controlling interests	**(12,287)**	(10,720)
	1,798,585	512,742

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*12*	2,183,884	2,157,965
Investment property		58,802	57,718
Goodwill		430,768	428,052
Intangible assets		564,290	571,528
Prepaid lease payments		20,754	20,461
Deposits paid for acquisition of property, plant and equipment		42,436	32,198
Rental deposits paid	*13*	42,873	44,506
Deferred tax assets		350,131	307,015
Other non-current assets		115,853	101,633
		3,809,791	3,721,076
Current assets			
Inventories		5,306,444	4,254,541
Trade and other receivables	*13*	5,335,529	4,421,318
Prepaid lease payments		812	780
Derivative financial instruments		33,770	1,113
Income tax recoverable		39,720	29,830
Bank deposits with original maturity of more than three months		572,606	1,071,408
Bank balances and cash		2,398,051	2,138,886
		13,686,932	11,917,876
Current liabilities			
Trade and other payables	*14*	3,833,703	3,265,973
Derivative financial instruments		–	24,664
Provisions	*15*	229,792	272,513
Income tax payable		399,240	332,734
Convertible bonds	*18*	–	2,224,895
Bank borrowings	*16*	182,112	116,334
		4,644,847	6,237,113
Net current assets		9,042,085	5,680,763
		12,851,876	9,401,839

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

	Notes	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Capital and reserves			
Share capital	*17*	40,824	40,824
Dividend reserve	*10*	489,892	449,068
Other reserves		9,921,649	8,532,315
Equity attributable to owners of the Company		10,452,365	9,022,207
Non-controlling interests		7,339	4,056
Total equity		10,459,704	9,026,263
Non-current liabilities			
Convertible bonds	*18*	2,072,576	–
Retirement benefit obligations		163,745	161,249
Provisions	*15*	41,031	46,349
Bank borrowings	*16*	26,016	77,556
Deferred tax liabilities		52,679	55,725
Other liabilities and accruals	*14*	36,125	34,697
		2,392,172	375,576
		12,851,876	9,401,839

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000 *(note 19)*	Capital redemption reserve HK$'000	Capital reserve HK$'000	Other reserve HK$'000 *(Note)*	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2016 (audited)	40,453	1,228,718	–	–	155	72,979	–	266,932	(640,706)	6,876,176	161,812	8,006,519	29,466	8,035,985
Profit for the year	–	–	–	–	–	–	–	–	–	1,463,864	–	1,463,864	(25,482)	1,438,382
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	–	–	(214,055)	–	–	(214,055)	72	(213,983)
Remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	–	(23,634)	–	(23,634)	–	(23,634)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(214,055)	1,440,230	–	1,226,175	(25,410)	1,200,765
Sub-total	40,453	1,228,718	–	–	155	72,979	–	266,932	(854,761)	8,316,406	161,812	9,232,694	4,056	9,236,750
Conversion of convertible bonds	157	161,063	–	–	–	–	–	(16,683)	–	–	–	144,537	–	144,537
Recognition of equity-settled share-based payments	–	–	153,664	–	–	–	–	–	–	–	–	153,664	–	153,664
Purchase of shares under Employee Share Incentive Scheme	–	–	–	(21,992)	–	–	–	–	–	–	–	(21,992)	–	(21,992)
Shares vested under the Employee Share Incentive Scheme	–	–	(20,505)	21,794	–	–	–	–	–	(1,289)	–	–	–	–
Shares issued under the Employee Share Incentive Scheme	214	132,945	(133,159)	–	–	–	–	–	–	–	–	–	–	–
2015 final dividend paid	–	–	–	–	–	–	–	–	–	–	(161,812)	(161,812)	–	(161,812)
2016 interim dividend paid	–	–	–	–	–	–	–	–	–	(324,884)	–	(324,884)	–	(324,884)
2016 final dividend proposed	–	–	–	–	–	–	–	–	–	(449,068)	449,068	–	–	–
At 31 December 2016 and 1 January 2017 (audited)	40,824	1,522,726	–	(198)	155	72,979	–	250,249	(854,761)	7,541,165	449,068	9,022,207	4,056	9,026,263
Profit for the period	–	–	–	–	–	–	–	–	–	1,492,252	–	1,492,252	(12,279)	1,479,973
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	–	–	318,620	–	–	318,620	(8)	318,612
Total comprehensive income for the period	–	–	–	–	–	–	–	–	318,620	1,492,252	–	1,810,872	(12,287)	1,798,585
Sub-total	40,824	1,522,726	–	(198)	155	72,979	–	250,249	(536,141)	9,033,417	449,068	10,833,079	(8,231)	10,824,848
Recognition of equity-settled share-based payments	–	–	117,988	–	–	–	–	–	–	–	–	117,988	–	117,988
Purchase of shares under the Employee Share Incentive Scheme	–	–	–	(34,064)	–	–	–	–	–	–	–	(34,064)	–	(34,064)
Arising on additional interest in a subsidiary	–	–	–	–	–	–	(15,570)	–	–	–	–	(15,570)	15,570	–
2016 final dividend paid	–	–	–	–	–	–	–	–	–	–	(449,068)	(449,068)	–	(449,068)
2017 interim dividend declared after end of interim period	–	–	–	–	–	–	–	–	–	(489,892)	489,892	–	–	–
At 30 June 2017 (unaudited)	40,824	1,522,726	117,988	(34,262)	155	72,979	(15,570)	250,249	(536,141)	8,543,525	489,892	10,452,365	7,339	10,459,704

Note: Other reserve represents the change in the non-controlling interest in a subsidiary arising from issuing of new shares to the Group upon the capitalization of loans to the subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	Equity attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000 (note 19)	Capital redemption reserve HK$'000	Capital reserve HK$'000	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2016 (audited)	40,453	1,228,718	–	–	155	72,979	266,932	(640,706)	6,876,176	161,812	8,006,519	29,466	8,035,985
Profit for the period	–	–	–	–	–	–	–	–	493,115	–	493,115	(10,799)	482,316
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	–	30,347	–	–	30,347	79	30,426
Total comprehensive income for the period	–	–	–	–	–	–	–	30,347	493,115	–	523,462	(10,720)	512,742
Sub-total	40,453	1,228,718	–	–	155	72,979	266,932	(610,359)	7,369,291	161,812	8,529,981	18,746	8,548,727
Conversion of convertible bonds	157	161,063	–	–	–	–	(16,683)	–	–	–	144,537	–	144,537
Recognition of equity-settled share-based payments	–	–	59,036	–	–	–	–	–	–	–	59,036	–	59,036
Purchase of shares under the Employee Share Incentive Scheme	–	–	–	(21,992)	–	–	–	–	–	–	(21,992)	–	(21,992)
2015 final dividend paid	–	–	–	–	–	–	–	–	–	(161,812)	(161,812)	–	(161,812)
2016 interim dividend declared after end of interim period	–	–	–	–	–	–	–	–	(324,884)	324,884	–	–	–
At 30 June 2016 (unaudited)	40,610	1,389,781	59,036	(21,992)	155	72,979	250,249	(610,359)	7,044,407	324,884	8,549,750	18,746	8,568,496

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Cash generated from operations	504,114	1,099,084
Income taxes paid	(191,172)	(305,454)
Net cash from operating activities	312,942	793,630
Net cash from (used in) investing activities		
Purchase of property, plant and equipment	(169,238)	(175,480)
Placement of bank deposits with original maturity of more than three months	(249,848)	(327,210)
Structured deposit placed	(23,285)	–
Deposits paid for acquisition of property, plant and equipment	(42,436)	(31,122)
Withdrawal of bank deposits with original maturity of more than three months	785,391	201,193
Withdrawal of structured deposit	23,285	–
Other investing cash flows	7,195	23,287
	331,064	(309,332)
Net cash used in financing activities		
Dividends paid	(449,068)	(161,812)
Bank borrowings raised	77,579	70,033
Repayment of bank borrowings	(64,851)	(16,236)
Other financing cash flows	(34,023)	(39,598)
	(470,363)	(147,613)
Net increase in cash and cash equivalents	173,643	336,685
Cash and cash equivalents at beginning of the period	2,138,886	2,020,145
Effect of foreign exchange rate changes	85,522	15,845
Cash and cash equivalents at end of the period, represented by bank balances and cash	2,398,051	2,372,675

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016. In addition, the Group has applied the following accounting policy for changes in the Group's ownership interests in existing subsidiary during the current interim period.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in existing subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Accounting Standards ("HKASs") issued by the HKICPA.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments to HKASs and HKFRSs and a new interpretation ("new and revised standards") that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[1]
HKFRS 15	"Revenue from Contracts with Customers" and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 cycle[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are:

- All recognized financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 9 "Financial Instruments" (Continued)

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortized cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 16 "Leases" (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised standards issued but not yet effective will have a material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group has three (2016: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Chief Executive Officer, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2016: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment results represent the profit before taxation earned by each segment without allocation of interest income, adjustment of liability component of convertible bonds, finance costs, unallocated other income, unallocated net foreign exchange losses, unallocated general and administrative expenses and restructuring costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Six months ended 30 June 2017 HK$'000 (Unaudited)	Six months ended 30 June 2016 HK$'000 (Unaudited)
Segment revenue from external customers		
Back-end equipment	4,419,598	3,260,152
Surface mount technology solutions	2,710,245	2,363,525
Materials	1,055,558	907,605
	8,185,401	6,531,282
Segment profit		
Back-end equipment	1,150,437	603,556
Surface mount technology solutions	399,476	199,111
Materials	74,587	90,079
	1,624,500	892,746
Interest income	15,921	10,167
Adjustment of liability component of convertible bonds	202,104	–
Finance costs	(83,701)	(91,663)
Unallocated other income	351	126
Unallocated net foreign exchange losses	(8,468)	(34,725)
Unallocated general and administrative expenses	(67,405)	(59,479)
Restructuring costs	–	(80,257)
Profit before taxation	1,683,302	636,915

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. SEGMENT INFORMATION (Continued)

Geographical analysis of revenue by location of customers

	Revenue from external customers Six months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Mainland China	3,627,558	2,900,279
Europe	1,158,669	1,086,963
– Germany	352,485	361,278
– Romania	129,384	64,498
– Hungary	124,621	113,419
– France	75,812	89,440
– Austria	22,613	32,575
– Others	453,754	425,753
Malaysia	613,585	439,233
Taiwan	517,592	266,154
Americas	487,341	506,216
– United States of America	286,433	316,379
– Mexico	83,148	100,001
– Canada	68,391	62,766
– Others	49,369	27,070
Hong Kong	451,524	582,059
Korea	376,870	129,392
Thailand	371,050	198,736
Philippines	288,679	137,274
Singapore	111,861	53,029
Japan	57,030	167,760
Others	123,642	64,187
	8,185,401	6,531,282

4. DEPRECIATION AND AMORTIZATION

During the period, depreciation and amortization amounting to HK$204.6 million (HK$201.2 million for the six months ended 30 June 2016), HK$0.7 million (HK$0.7 million for the six months ended 30 June 2016) and HK$22.5 million (HK$20.5 million for the six months ended 30 June 2016) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

5. ADJUSTMENT OF LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK$2,400,000,000. The Company would, at the option ("Put Option") of the bond holder, redeem all or some of the convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid. The Put Option lapsed on 28 March 2017. The estimated date of payment in relation to the convertible bonds is revised from 28 March 2017 to 28 March 2019. Accordingly, the carrying amount of the liability component of the convertible bonds is adjusted from HK$2,250,000,000 to HK$2,047,896,000 on 28 March 2017 to reflect the revised estimated cash outflows that is recalculated by computing the present value of estimated future cash flows at its original effective interest rate of 6.786% per annum. The adjustment of the carrying value of the liability component of the convertible bonds amounting to HK$202,104,000 is recognized in profit or loss for the period.

6. OTHER GAINS AND LOSSES

During the period, included in other gains and losses are mainly net foreign exchange loss of HK$8.5 million (net foreign exchange loss of HK$34.7 million for the six months ended 30 June 2016).

7. RESTRUCTURING COSTS

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

8. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**2,516**	1,923
Interest on convertible bonds *(note 18)*	**72,100**	75,884
Interest on discounted bills without recourse	**8,685**	12,034
Others	**400**	1,822
	83,701	91,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
The charge (credit) comprises:		
Current tax:		
Hong Kong	28,899	23,069
PRC Enterprise Income Tax	66,932	60,509
Other jurisdictions	142,955	101,342
	238,786	184,920
Deferred tax credit	(35,457)	(30,321)
	203,329	154,599

Current tax:

(a) Hong Kong Profits Tax is calculated at 16.5% (16.5% for the six months ended 30 June 2016) of the estimated assessable profit for the period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

9. INCOME TAX EXPENSE (Continued)

(c) On 12 July 2010, the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate to ASM Technology Singapore Pte Ltd. ("ATS"), a principal subsidiary of the Company, to the effect that profits arising from certain new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods.

On the same date, EDB also granted ATS an International Headquarters Award to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period.

Income of ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (17% for the six months ended 30 June 2016).

(d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (15.00% for the six months ended 30 June 2016) plus 5.50% (5.50% for the six months ended 30 June 2016) solidarity surcharge thereon for the assessable profit for the period. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 12.495% to 17.015% (12.495% to 17.015% for the six months ended 30 June 2016) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 28.320% and 32.840% (28.320% to 32.840% for the six months ended 30 June 2016).

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

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

The Group continued to receive letters from the Hong Kong Inland Revenue Department ("HKIRD") during the six months ended 30 June 2017 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to significant additional tax being charged on profits from some overseas subsidiaries in respect of source of income that have not previously been included in the scope of charge for Hong Kong Profits Tax or significant tax adjustments to companies currently subject to Hong Kong Profits Tax. As at 30 June 2017, the Group purchased tax reserve certificates amounting to HK$371.1 million (31 December 2016: HK$370.0 million), as disclosed in note 13.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

10. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Dividend recognized as distribution during the period		
Final dividend for 2016 paid of HK$1.10 (2016: final dividend for 2015 paid of HK$0.40) per share on 408,243,733 (2016: 404,529,500) shares	**449,068**	161,812
Dividend declared after the end of the interim reporting period		
Interim dividend for 2017 of HK$1.20 (2016: HK$0.80) per share on 408,243,733 (2016: 406,104,633) shares	**489,892**	324,884

The dividends declared after 30 June 2017 will be paid to the shareholders of the Company whose names appear on the Register of Members on 16 August 2017.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company)	**1,492,252**	493,115
Less: Adjustment of liability component of convertible bonds *(Note)*	**(202,104)**	–
Add: Interest expense on convertible bonds *(Note)*	**72,100**	–
Earnings for the purpose of calculating diluted earnings per share	**1,362,248**	493,115

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

11. EARNINGS PER SHARE (Continued)

	Number of shares (in thousands) 2017	2016
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	408,060	404,712
Effect of dilutive potential shares:		
– Employee Share Incentive Scheme	748	468
– Convertible bonds *(Note)*	23,627	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	432,435	405,180

Note: In the calculation of the diluted earnings per share for the six months ended 30 June 2017, the Company's outstanding convertible bonds are assumed to have been fully converted into ordinary shares and the profit for the period attributable to owners of the Company is adjusted to exclude the items comprising the adjustment of liability component of convertible bonds and the interest expense relating to the convertible bonds.

The computation of diluted earnings per share for the six months ended 30 June 2016 did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in earnings per share.

12. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$192.5 million on the acquisition of property, plant and equipment (HK$174.6 million for the six months ended 30 June 2016).

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Trade receivables *(Note a)*	4,374,161	3,540,968
Amount recoverable from Siemens AG *(Note b)*	23,720	21,788
Value added tax recoverable	400,920	313,510
Tax reserve certificate recoverable	371,113	370,049
Other receivables, deposits and prepayments	208,488	219,509
	5,378,402	4,465,824
Less: Non-current rental deposits paid shown under non-current assets	(42,873)	(44,506)
	5,335,529	4,421,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

13. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Not yet due	3,209,554	2,749,780
Overdue within 30 days	481,445	348,160
Overdue within 31 to 60 days	184,612	153,323
Overdue within 61 to 90 days	160,271	125,749
Overdue over 90 days	338,279	163,956
	4,374,161	3,540,968

Notes:

(a) The amount included notes receivables amounting to HK$502,152,000 (31 December 2016: HK$410,358,000).

(b) Pursuant to the Master Sale and Purchase Agreement of the acquisition entered into between Siemens Aktiengesellschaft ("Siemens AG") and the Company, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify 13 former direct and indirect subsidiaries of Siemens AG ("ASM AS Entities") from and against any and all taxes imposed to ASM AS Entities relating to any taxable periods beginning before and ending before or after 7 January 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of ASM AS Entities covered under the tax indemnity and is therefore recoverable from Siemens AG. It is due for settlement once the Group pays the related taxes and received the tax demand notes from tax authorities. The balance is expected to be settled in 2017.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

14. TRADE AND OTHER PAYABLES

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Trade payables	1,859,192	1,686,043
Deferred revenue	126,220	134,534
Accrued salaries and wages	244,996	235,958
Other accrued charges	632,915	510,353
Deposits received from customers	567,140	282,380
Accrual for tax-related expense *(Note)*	168,400	168,400
Payables arising from acquisition of property, plant and equipment	108,021	111,092
Other payables	162,944	171,910
	3,869,828	3,300,670
Less: Non-current other liabilities and accruals	(36,125)	(34,697)
	3,833,703	3,265,973

Note: As detailed in note 9, the Group continued to receive letters from the HKIRD during the period ended 30 June 2017 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax-related expenses and accrual has been provided accordingly.

The following is an aging analysis of trade payables presented based on the due date at the end of the reporting period:

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Not yet due	1,280,490	1,192,941
Overdue within 30 days	297,413	274,202
Overdue within 31 to 60 days	173,743	123,046
Overdue within 61 to 90 days	75,402	57,856
Overdue over 90 days	32,144	37,998
	1,859,192	1,686,043

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

15. PROVISIONS

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

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Current	229,792	272,513
Non-current	41,031	46,349
	270,823	318,862

The Group's provisions mainly comprise warranty provision of HK$253,322,000 (31 December 2016: HK$276,402,000) and restructuring provision of HK$4,104,000 (31 December 2016: HK$28,550,000). The movements of the warranty provision and restructuring provision are as follows:

	Warranty provision HK$'000	Restructuring provision HK$'000
At 1 January 2016 (audited)	333,292	3,242
Currency realignment	(11,075)	(2,632)
Additions	229,358	97,899
Utilization	(275,173)	(69,959)
At 31 December 2016 (audited)	276,402	28,550
Currency realignment	12,690	211
Additions	98,278	–
Utilization	(134,048)	(24,657)
At 30 June 2017 (unaudited)	253,322	4,104

16. BANK BORROWINGS

At 30 June 2017, all bank borrowings bear interest at London Interbank Offered Rate plus a margin per annum, at a weighted average effective interest rate of 2.296% (31 December 2016: 2.058%) per annum. During the six months ended 30 June 2017, the Group obtained new bank borrowings in the amount of HK$77,579,000 (six months ended 30 June 2016: HK$70,033,000) and repaid bank borrowings of HK$64,851,000 (six months ended 30 June 2016: HK$16,236,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

17. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1 January 2016	404,529	40,453
Shares issued upon conversion of convertible bonds on 20 May 2016	1,576	157
Shares issued under the Employee Share Incentive Scheme	2,139	214
At 31 December 2016 and at 30 June 2017	408,244	40,824

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

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

18. CONVERTIBLE BONDS

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

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK$98.21 per share. The conversion price was adjusted to HK$96.54 per share with effect from 20 May 2015 as a result of the aggregate distributions of HK$2.10 per share made by the Company to the shareholders for the year ended 31 December 2014. The conversion price was further adjusted to HK$95.23 per share with effect from 18 May 2016 as a result of aggregate distributions of HK$1.40 per share made by the Company to the shareholders for the year ended 31 December 2015. Details of the adjustments to conversion price of the convertible bonds were set out in the Company's announcements dated 13 May 2015 and 11 May 2016.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

18. CONVERTIBLE BONDS (Continued)

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

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

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

The Company would, at the option of the bond holder, redeem all or some of that convertible bonds on 28 March 2017 (the "Put Option Date") at their principal amount together with interest accrued to such date but unpaid. To exercise such Put Option, the bond holder should serve notice of redemption to the Company not earlier than 60 days and not later than 30 days prior to the Put Option Date. As the Company did not have an unconditional right to defer settlement of the convertible bonds in more than twelve months from the end of December 2016, the entire balance of liability component of the convertible bonds was classified as current liabilities as at 31 December 2016. The Company did not receive any notice of redemption up to the end of February 2017 and the Put Option has lapsed accordingly. Therefore, the convertible bonds due 2019 were reclassified to non-current liabilities as at 30 June 2017. Upon lapse of the Put Option, the carrying value of the liability component of the convertible bonds is adjusted to reflect the revised estimated cash flows (details set out in note 5).

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

On 20 May 2016, convertible bonds with principal amount of HK$150,000,000 were converted into the Company's shares at the prevailing adjusted conversion price of HK$95.23 per share. As a result, a total number of 1,575,133 shares of the Company were issued and credited as fully paid and the relevant portion of convertible bonds equity reserve of HK$16,683,000 was transferred to share premium during the six months ended 30 June 2016.

None of the convertible bonds was redeemed or converted during the six months ended 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

18. CONVERTIBLE BONDS (Continued)

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2016 (audited)	2,277,465	266,932	2,544,397
Conversion of convertible bonds	(144,537)	(16,683)	(161,220)
Interest charge during the year	150,364	–	150,364
Interest paid	(46,500)	–	(46,500)
At 31 December 2016 and 1 January 2017 (audited)	2,236,792	250,249	2,487,041
Adjustment of liability component of convertible bonds *(note 5)*	(202,104)	–	(202,104)
Interest charge during the period *(note 8)*	72,100	–	72,100
Interest paid	(22,500)	–	(22,500)
At 30 June 2017 (unaudited)	2,084,288	250,249	2,334,537

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

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Current liabilities		
Interest payable on convertible bonds (included in trade and other payables)	**11,712**	11,897
Convertible bonds	**–**	2,224,895
Non-current liabilities		
Convertible bonds	**2,072,576**	–
	2,084,288	2,236,792

19. SHARE-BASED PAYMENTS

On 21 March 2016, and pursuant to the Employee Share Incentive Scheme ("Scheme"), the directors resolved to grant and the Company granted 2,501,100 shares in the Company to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. The vesting period of such grant, that is, the qualification period, was from 21 March 2016 to 15 December 2016. Out of the 2,501,100 shares granted pursuant to the Scheme, 332,400 shares were allocated to be purchased by the Trustee under the Share Award Scheme as Award Shares.

On 15 December 2016, out of the 2,501,100 shares granted on 21 March 2016 pursuant to the Scheme, 2,139,100 shares were issued and 29,600 shares were forfeited and unallocated by the Company. 329,400 Award Shares vested on the same date and the remaining 3,000 Award Shares were forfeited and unallocated by the Company and to be held for the benefit of future grantee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

19. SHARE-BASED PAYMENTS (Continued)

On 17 March 2017, the directors resolved to grant and the Company granted 3,363,300 shares in the Company to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the respective defined qualification periods, wherein 2,631,200 shares relate to the qualification period expiring on 15 December 2017, 488,200 shares relate to the qualification period expiring on 14 December 2018 and 243,900 shares relate to qualification period expiring on 16 December 2019. The respective vesting period of such grant, that is, the qualification period, was from 17 March 2017 to 15 December 2017, 14 December 2018 and 16 December 2019 respectively. The directors also resolved to allocate 366,500 shares out of the 3,363,300 shares granted pursuant to the Scheme, to be purchased by the Trustee under the Share Award Scheme as Award Shares.

The fair value of shares granted pursuant to the Scheme in 2016 and 2017 was determined with reference to market value of the shares at the grant date taking into account the exclusion of the expected dividends as the employees are not entitled to receive dividends paid during the vesting periods.

The Group recognized share-based payments amounting to HK$117,988,000 (six months ended 30 June 2016: HK$59,036,000) for the six months ended 30 June 2017 in relation to the shares granted pursuant to the Scheme in 2017 by the Company, such an amount being determined by the fair value of the shares granted at the grant date.

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

	Number of shares '000
Outstanding as at 1 January 2016 (audited)	–
Shares granted on 21 March 2016	2,501
Allocated as Award Shares on 21 March 2016 *(Note)*	(332)
Outstanding as at 30 June 2016 (unaudited)	2,169
Shares entitlement forfeited on 15 December 2016	(30)
Shares issued on 15 December 2016	(2,139)
Outstanding as at 31 December 2016 and 1 January 2017 (audited)	–
Shares granted on 17 March 2017	3,363
Allocated as Award Shares on 17 March 2017	(367)
Outstanding as at 30 June 2017 (unaudited)	2,996

Note: Movement of Award Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK$'000
At 1 January 2016 (audited)	–	–
Shares purchased from the market during the year	332	21,992
Award Shares vested	(329)	(21,794)
At 31 December 2016 and 1 January 2017 (audited)	3	198
Shares purchased from the market during the period	323	34,064
At 30 June 2017 (unaudited)	326	34,262

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

20. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

During the period, the emoluments of directors and other members of key management were HK$42,595,000 (HK$26,192,000 for the six months ended 30 June 2016).

Certain shares of the Company were issued to the key management under the Employee Share Incentive Scheme which has a term of 10 years starting from March 1990, the scheme was extended for a further term of 10 years up to 23 March 2010 pursuant to an extraordinary general meeting of the Company on 25 June 1999. The scheme was further extended for another term of 10 years up to 23 March 2020 pursuant to an annual general meeting of the Company on 24 April 2009. The estimated fair value of such shares included in the emoluments above amounted to HK$21,324,000 (HK$8,727,000 for the six months ended 30 June 2016) for the six months ended 30 June 2017. The vesting periods of the shares granted to key management during the six months ended 30 June 2017 span multiple years with such vesting periods expiring on 15 December 2017, 14 December 2018 and 16 December 2019 respectively. The vesting period for the shares granted during the six months ended 30 June 2016 vested within one year.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2017	31 December 2016				
Foreign currency forward contracts classified as derivative financial instruments on the condensed consolidated statement of financial position	**Asset – HK$33,770,000** **Liability – nil**	Asset – HK$1,113,000 Liability – HK$24,664,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

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

The fair values of the financial assets and liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

22. CONTINGENT LIABILITIES

(a) As at 30 June 2017, the Group has provided guarantees amounting to HK$2,693,000 (31 December 2016: HK$2,445,000) to the Singapore government for work permits of foreign workers in Singapore.

(b) As at 30 June 2017 and 31 December 2016, a subsidiary of the Group was involved in a litigation with a third party for which the High Court ruled in favor of the third party. During the six months ended 30 June 2017, the subsidiary filed an appeal in the Court of Appeal against the judgment of the High Court. Both parties have agreed that the hearing on costs of the High Court suit be adjourned and the assessment of damages or an account of profits be held in abeyance, pending the outcome of the appeal to the Court of Appeal.

The directors of the Company have sought legal counsel's advice and are of the opinion that there is reasonable basis for appeal and defending the case. At the date of this report, the directors of the Company are unable to reliably estimate the costs for legal settlement. Accordingly, no provision has been made in the condensed consolidated financial statements.

23. CAPITAL COMMITMENTS

	At 30 June 2017 HK$'000 (Unaudited)	At 31 December 2016 HK$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**136,089**	108,914

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

Details of the interests of the Directors and chief executives of the Company and their associates in the share capital of the Company and its associated corporations as at 30 June 2017 as recorded in the register by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions

Shares of HK$0.10 each of the Company:

		Long positions	
Name of director	Capacity	Number of shares held	Percentage of shareholding in the Company
Lee Wai Kwong *(Note 1)*	Beneficial owner	1,537,100	0.38%
Tsui Ching Man, Stanley *(Note 2)*	Beneficial owner & interest of spouse	223,800	0.05%
Robin Gerard Ng Cher Tat *(Note 3)*	Beneficial owner	160,000	0.04%

Notes:

1. Pursuant to the Employee Share Incentive Scheme of the Company ("Scheme"), on 17 March 2017, the Board of Directors resolved to allocate shares to the management and employees of the Company in respect of their service with respective vesting periods expiring on 15 December 2017, 14 December 2018 and 16 December 2019. The Company agreed on 17 March 2017 to allocate to Mr. Lee a total of 236,000 shares in respect of his service, such shares to vest at the end of the respective vesting periods expiring on 15 December 2017 (118,000 shares), 14 December 2018 (78,700 shares) and 16 December 2019 (39,300 shares) respectively. Pursuant to the Scheme, no subscription price is payable by Mr. Lee in relation to this allocation. His interest of 1,537,100 shares includes this allocation of 236,000 shares.

2. Mr. Tsui was the beneficial owner of 221,800 shares and he was deemed to be interested in 2,000 shares through the interests of his spouse, Soh Lay Hoon. Pursuant to the Scheme, on 17 March 2017, the Company agreed to allocate to Mr. Tsui and his spouse, who is employed as an accounting manager of a subsidiary of the Group, a total of 72,000 shares in respect of their service, such shares to vest at the end of the respective vesting periods expiring on 15 December 2017 (37,000 shares), 14 December 2018 (23,300 shares) and 16 December 2019 (11,700 shares) respectively. Pursuant to the Scheme, no subscription price is payable by Mr. Tsui and his spouse in relation to this allocation. His interest of 223,800 shares includes this allocation of 72,000 shares.

3. Pursuant to the Scheme, on 17 March 2017, the Company agreed to allocate to Mr. Ng a total of 80,000 shares in respect of his service, such shares to vest at the end of the respective vesting periods expiring on 15 December 2017 (40,000 shares), 14 December 2018 (26,700 shares) and 16 December 2019 (13,300 shares) respectively. Pursuant to the Scheme, no subscription price is payable by Mr. Ng in relation to this allocation. His interest of 160,000 shares includes this allocation of 80,000 shares.

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, as at 30 June 2017, none of the Directors or chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests or short positions in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Long positions		Short positions		Lending pool	
Name of shareholder	Capacity	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International N.V. *(Note 1)*	Interest of a controlled corporation	140,003,000	34.29%	–	–	–	–
ASM Pacific Holding B.V.	Beneficial owner	140,003,000	34.29%	–	–	–	–
Commonwealth Bank of Australia *(Note 2)*	Interest of a controlled corporation	28,517,578	6.99%	–	–	–	–
Genesis Asset Managers, LLP	Investment manager	24,136,669	5.91%	–	–	–	–
JPMorgan Chase & Co.	*(Note 3)*	20,439,683	5.01%	13,887,739	3.40%	4,995,451	1.22%

Notes:

1. ASM International N.V. is deemed interested in 140,003,000 shares, through the shares held by its wholly owned subsidiary, ASM Pacific Holding B.V..

2. Commonwealth Bank of Australia is deemed interested in 28,517,578 shares, through the shares held by its wholly owned subsidiaries, including ASB Holdings Limited, Colonial Holding Company Limited, ASB Bank Limited, Commonwealth Insurance Holdings Limited, ASB Group Investments Limited, Capital 121 Pty Limited, Colonial First State Group Ltd, Colonial First State Investments Limited, Colonial First State Asset Management (Australia) Limited, First State Investment Managers (Asia) Limited, First State Investments (UK Holdings) Limited, Realindex Investments Pty Limited, First State Investments (Hong Kong) Ltd, SI Holdings Limited, First State Investment Management (UK) Limited and First State Investments International Limited.

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

Capacity	Number of shares (Long position)	Number of shares (Short position)	Number of shares (Lending pool)
Beneficial owner	14,603,200	13,887,739	–
Investment manager	841,032	–	–
Custodian corporation/approved lending agent	4,995,451	–	4,995,451

Save as disclosed above, as at 30 June 2017, 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.

OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2017.

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

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all directors, and all directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 in conjunction with the Company's external auditor.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that a professional trustee of the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on the Exchange a total of 323,000 shares in the Company. The cost of purchase of these shares is about HK$34.1 million.

CLOSURES OF REGISTER OF MEMBERS

The Register of Members will be closed from 14 August 2017 to 16 August 2017, both days inclusive, during which period no share transfers can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant shares certificates, must be lodged with Company's Share Registrars, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 11 August 2017. The interim dividend will be paid on or about 25 August 2017.

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

www.asmpacific.com

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