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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2019 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Powered by Twin Engines, Rising above Challenges

2019

- * Group revenue of US\$2.03 billion decreased 18.8% over 2018
- * Net profit of HK\$622.4 million decreased 71.9% over 2018
- * Earnings per share of HK\$1.52
- * Back-end equipment revenue of US\$893.6 million decreased 24.4% over 2018
- * Materials revenue of US\$236.4 million decreased 17.8% over 2018
- * SMT solutions revenue of US\$896.6 million decreased 12.6% over 2018
- * New order bookings of US\$2.02 billion decreased 21.5% over 2018
- * Book to bill ratio of 1.00
- * Cash and bank deposits of HK\$2.33 billion at the end of December 2019

Second Half of 2019

- * Half-year Group revenue of US\$1.10 billion increased 18.3% over the first half of 2019 and decreased 13.3% over the second half of 2018
- * Net profit of HK\$444.1 million increased 149.1% over the first half of 2019 and decreased 45.5% over the second half of 2018
- * Earnings per share of HK\$1.08
- * Half-year Back-end equipment revenue of US\$491.6 million increased 22.0% over the first half of 2019 and decreased 8.4% over the second half of 2018
- * Half-year Materials revenue of US\$128.8 million increased 19.5% over the first half of 2019 and decreased 5.9% over the second half of 2018
- * Half-year SMT solutions revenue of US\$478.9 million increased 14.5% over the first half of 2019 and decreased 19.5% over the second half of 2018

Fourth Quarter of 2019

- * Group revenue of US\$568.0 million increased 7.0% over the preceding quarter and decreased 6.7% over the fourth quarter of 2018
- * Net profit of HK\$221.9 million decreased 0.2% over the preceding quarter and increased 4.5% over the fourth quarter of 2018
- * Excluded the restructuring costs and related tax effect of HK\$106.9 million in the fourth quarter of 2019 and HK\$15.5 million in the fourth quarter of 2018, the Group's net profit represented improvements of 47.9% over the preceding quarter and 44.4% over the fourth quarter of 2018, respectively
- * Earnings per share of HK\$0.53
- * Group bookings of US\$445.2 million decreased 13.3% and 6.1% over the preceding quarter and the fourth quarter of 2018, respectively
- * Backlog of US\$650.6 million as of end 2019 decreased 0.7% over a year ago

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of audited results for the year ended 31 December 2019:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) achieved a revenue of **HK\$15.88 billion (US\$2.03 billion)** in the fiscal year ended 31 December 2019, which was 18.8% lower than the revenue of HK\$19.55 billion (US\$2.49 billion) in the previous year. The Group’s consolidated profit after taxation for the year is **HK\$622.4 million**, which was a decrease of 71.9% from the previous year’s net profit of HK\$2.21 billion. Basic earnings per share (EPS) for the year amounted to **HK\$1.52** (2018: HK\$5.47).

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

We continue to believe in returning excess cash to our shareholders as dividends. After considering the Group’s short-term needs and our cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of **HK\$0.70** (2018: final dividend of HK\$1.40) per share. Together with the interim dividend of HK\$1.30 (2018: HK\$1.30) per share paid in August 2019, the total dividend payment for year 2019 will be **HK\$2.00** (2018: HK\$2.70) per share.

The proposed final dividend of **HK\$0.70** per share, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 12 May 2020 (“2020 AGM”), is to be payable on Friday, 29 May 2020 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 19 May 2020.

The Register of the Members of the Company will be closed during the following periods:

- (i) From Thursday, 7 May 2020 to Tuesday, 12 May 2020, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 6 May 2020; and
- (ii) From Monday, 18 May 2020 to Tuesday, 19 May 2020, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited at the abovementioned address, not later than 4:00 p.m. on Friday, 15 May 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 31 Dec		Year ended 31 Dec	
		2019	2018	2019	2018
		(unaudited)	(unaudited)	(audited)	(audited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Notes</i>				
Revenue	2	4,448,899	4,767,696	15,883,042	19,550,590
Cost of sales		(2,902,133)	(3,196,406)	(10,359,167)	(12,113,813)
Gross profit		1,546,766	1,571,290	5,523,875	7,436,777
Other income		14,551	11,648	93,359	96,126
Selling and distribution expenses		(417,914)	(478,461)	(1,590,273)	(1,660,893)
General and administrative expenses		(262,885)	(251,290)	(960,933)	(1,013,345)
Research and development expenses		(445,905)	(424,060)	(1,710,858)	(1,610,225)
Other gains and losses	5	(17,631)	(1,174)	(54,774)	(78,455)
Restructuring costs	6	(109,540)	(19,067)	(109,540)	(19,067)
Finance costs	7	(45,146)	(51,065)	(215,122)	(177,762)
Profit before taxation		262,296	357,821	975,734	2,973,156
Income tax expense	8	(40,434)	(145,606)	(353,356)	(761,428)
Profit for the period		221,862	212,215	622,378	2,211,728
Profit (loss) for the period attributable to:					
Owners of the Company		216,458	211,161	619,249	2,216,062
Non-controlling interests		5,404	1,054	3,129	(4,334)
		221,862	212,215	622,378	2,211,728
Earnings per share	10				
- Basic		HK\$0.53	HK\$0.52	HK\$1.52	HK\$5.47
- Diluted		HK\$0.53	HK\$0.52	HK\$1.52	HK\$5.44

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 Dec		Year ended 31 Dec	
	2019	2018	2019	2018
	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
Profit for the period	221,862	212,215	622,378	2,211,728
Other comprehensive income (expense)				
- exchange differences arising on translation of foreign operations, which may be reclassified subsequently to profit or loss	104,750	(29,632)	(121,415)	(273,227)
- remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	(55,916)	3,400	(55,916)	3,400
- fair value gain on investments in equity instruments at fair value through other comprehensive income, which will not be reclassified to profit or loss	8,020	-	8,020	-
Other comprehensive income (expense) for the period	56,854	(26,232)	(169,311)	(269,827)
Total comprehensive income for the period	278,716	185,983	453,067	1,941,901
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	270,770	186,904	452,016	1,948,645
Non-controlling interests	7,946	(921)	1,051	(6,744)
	278,716	185,983	453,067	1,941,901

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2019	2018
		HK\$'000	HK\$'000
<i>Notes</i>			
Non-current assets			
Property, plant and equipment		2,916,415	2,850,450
Right-of-use assets		1,632,626	-
Investment property		53,645	56,206
Goodwill		1,047,851	1,057,816
Intangible assets		1,190,072	1,305,622
Prepaid lease payments		-	126,732
Other investments		93,471	56,355
Deposits paid for acquisition of property, plant and equipment		92,888	40,672
Rental deposits paid		32,888	42,033
Deferred tax assets		384,624	355,210
Other non-current assets		19,979	16,343
		7,464,459	5,907,439
Current assets			
Inventories		6,291,276	6,541,939
Trade and other receivables	11	4,710,170	6,324,901
Prepaid lease payments		-	3,863
Derivative financial instruments		3,482	1,852
Income tax recoverable		49,604	44,134
Pledged bank deposits		-	2,054
Bank deposits with original maturity of more than three months		9,053	9,198
Bank balances and cash		2,317,543	2,240,022
		13,381,128	15,167,963
Current liabilities			
Trade liabilities and other payables	12	2,670,411	3,165,478
Advance payments from customers		861,766	718,694
Derivative financial instruments		9,295	32,697
Lease liabilities/obligations under finance leases		188,633	410
Provisions		283,696	330,933
Income tax payable		97,134	533,701
Convertible bonds	13	-	2,224,652
Bank borrowings		321,364	786,021
		4,432,299	7,792,586
Net current assets		8,948,829	7,375,377
		16,413,288	13,282,816

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- continued

	At 31 December	
	2019	2018
	HK\$'000	HK\$'000
Capital and reserves		
Share capital	40,889	40,667
Dividend reserve	286,227	569,340
Other reserves	11,301,200	11,557,541
Equity attributable to owners of the Company	11,628,316	12,167,548
Non-controlling interests	3,376	(6,893)
Total equity	11,631,692	12,160,655
Non-current liabilities		
Lease liabilities/obligations under finance leases	1,362,169	736
Retirement benefit obligations	260,551	171,515
Provisions	53,024	48,528
Bank borrowings	2,722,118	473,740
Deferred tax liabilities	233,788	250,783
Other liabilities and accruals	149,946	176,859
	4,781,596	1,122,161
	16,413,288	13,282,816

Notes:

1. Principal accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, other investments (classified as financial equity instruments at fair value through other comprehensive income) and certain financial liabilities which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendments, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded Hong Kong Accounting Standard ("HKAS") 17 "Leases", and the related interpretations.

As a lessee

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.57%.

1. Principal Accounting Policies – continued

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	1,982,665
Lease liabilities discounted at relevant incremental borrowing rates	1,515,515
Add: Lease extension options reasonably certain to be exercised	159,672
Less: Recognition exemption – short-term leases	(13,352)
Recognition exemption – low-value assets (excluding short-term leases of low-value assets)	(8,692)
Lease liabilities relating to operating leases recognized upon application of HKFRS 16	1,653,143
Add: Obligations under finance leases recognized at 31 December 2018	1,146
	1,654,289
Analyzed as	
Current	173,333
Non-current	1,480,956
	1,654,289

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognized upon application of HKFRS 16		1,587,266
Reclassified from prepaid lease payments	(a)	130,595
Adjustment included in property, plant and equipment under HKAS 17		
- Restoration and reinstatement costs	(b)	27,652
Adjustment on rental deposits at 1 January 2019	(c)	11,540
		1,757,053

1. Principal Accounting Policies – continued

The following table summarizes the impacts of transition to HKFRS 16 on retained profits at 1 January 2019.

	Notes	Impacts of adopting HKFRS 16 at 1 January 2019 HK\$'000
Retained profits		
Right-of-use assets relating to operating leases recognized upon application of HKFRS 16		1,587,266
Lease liabilities relating to operating leases recognized upon application of HKFRS 16		(1,653,143)
Adjustment on rental deposits at 1 January 2019	(c)	(35)
Adjustment on prepaid and accrued lease payments	(e)	13,360
Tax effects		12,342
Impacts at 1 January 2019		<u>(40,210)</u>

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

Impacts on assets, (liabilities) and (reserve) as at 1 January 2019

	Notes	Carrying amounts previously reported at 31 December 2018 HK\$'000 (Audited)	Impacts of adopting HKFRS 16 HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000 (Restated)
Deferred tax assets		355,210	12,342	367,552
Property, plant and equipment		2,850,450	(27,652)	2,822,798
Right-of-use assets		-	1,757,053	1,757,053
Prepaid lease payments - non-current	(a)	126,732	(126,732)	-
Prepaid lease payments - current	(a)	3,863	(3,863)	-
Rental deposits paid	(c)	42,033	(11,575)	30,458
Trade and other receivables	(d)	6,324,901	(1,651)	6,323,250
Trade liabilities and other payables	(e)	(3,165,478)	15,011	(3,150,467)
Lease liabilities - current		-	(172,923)	(172,923)
Lease liabilities - non-current		-	(1,480,220)	(1,480,220)
Retained profits		<u>(10,414,081)</u>	<u>40,210</u>	<u>(10,373,871)</u>

1. Principal Accounting Policies - continued

Notes:

- (a) Upfront payments for leasehold lands for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portion of prepaid lease payments amounting to HK\$126,732,000 and HK\$3,863,000 respectively were reclassified to right-of-use assets.
- (b) In relation to the leases of offices that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK\$27,652,000 as at 1 January 2019 were included as right-of-use assets.
- (c) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$11,540,000, HK\$35,000 and HK\$11,575,000 were adjusted to right-of-use assets, retained profits and refundable rental deposits paid, respectively.

- (d) Prepayments for rent

These relate to prepaid lease expense for leases of properties before the expense incurred. The carrying amount of the prepaid lease expenses as at 1 January 2019 was adjusted to right-of-use assets at transition.

- (e) Rent-free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade liabilities and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

2. SEGMENT INFORMATION

The Group has three (2018: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology ("SMT") solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2018: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

2. SEGMENT INFORMATION – continued

Segment revenues and results

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (audited) HK\$'000	2018 (audited) HK\$'000
Segment revenue from external customers				
Back-end equipment	2,026,073	1,828,624	7,003,454	9,259,791
SMT solutions	1,906,260	2,470,237	7,026,715	8,035,577
Materials	516,566	468,835	1,852,873	2,255,222
	4,448,899	4,767,696	15,883,042	19,550,590
Segment profit				
Back-end equipment	178,182	165,004	476,611	2,010,791
SMT solutions	278,032	298,654	926,604	1,274,552
Materials	9,816	3,333	58,316	113,745
	466,030	466,991	1,461,531	3,399,088
Interest income	5,179	4,885	23,660	31,003
Finance costs	(45,146)	(51,065)	(215,122)	(177,762)
Unallocated other income (expenses)	12,026	(1,470)	13,696	(557)
Unallocated net foreign exchange losses and fair value change of foreign currency forward contracts	(37,232)	(2,300)	(92,200)	(86,142)
Unallocated general and administrative expenses	(35,696)	(40,153)	(127,912)	(173,407)
Unallocated adjustment on contingent consideration for acquisitions	6,675	-	21,621	-
Restructuring costs	(109,540)	(19,067)	(109,540)	(19,067)
Profit before taxation	262,296	357,821	975,734	2,973,156
Segment profit %				
Back-end equipment	8.8%	9.0%	6.8%	21.7%
SMT solutions	14.6%	12.1%	13.2%	15.9%
Materials	1.9%	0.7%	3.1%	5.0%

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income (expenses), unallocated net foreign exchange losses and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, unallocated adjustment on contingent consideration for acquisitions and restructuring costs.

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

2. SEGMENT INFORMATION – continued

Other segment information (included in the segment profit or loss or regularly provided to the CODM)

Year ended 31 December 2019

	Back-end equipment HK\$'000	SMT solutions HK\$'000	Materials HK\$'000	Unallocated general and administrative expenses/ restructuring costs HK\$'000	Consolidated HK\$'000
Amounts regularly provided to CODM:					
Additions of property, plant and equipment	385,206	141,587	153,586	-	680,379
Additions of intangible assets	25	4,323	-	-	4,348
Amounts included in the measure of segment profit:					
Amortization for intangible assets	46,044	61,906	-	-	107,950
Depreciation for property, plant and equipment and right-of-use assets	400,942	208,178	122,854	1,379	733,353
Depreciation for investment property	1,331	-	-	-	1,331
Impairment loss recognized in respect of property, plant and equipment and right-of-use assets	-	-	-	67,763	67,763
(Gains) losses on disposal/write-off of property, plant and equipment	(4,579)	(87)	397	-	(4,269)
Research and development expenses	1,115,166	587,599	8,093	-	1,710,858
Share-based payments	146,052	16,263	12,402	21,322	196,039

2. SEGMENT INFORMATION – continued

Other segment information (included in the segment profit or loss or regularly provided to the CODM) – continued

Year ended 31 December 2018

	Back-end equipment HK\$'000	SMT solutions HK\$'000	Materials HK\$'000	Unallocated general and administrative expenses HK\$'000	Consolidated HK\$'000
Amounts regularly provided to CODM:					
Additions of property, plant and equipment					
- Additions during the year	536,266	149,270	142,441	-	827,977
- Arising from acquisitions of subsidiaries	121,685	3,252	-	-	124,937
Additions of intangible assets					
- Additions during the year	484	14,828	-	-	15,312
- Arising from acquisitions of subsidiaries	657,664	207,034	-	-	864,698
Amounts included in the measure of segment profit:					
Amortization for intangible assets	55,623	53,856	-	-	109,479
Depreciation for property, plant and equipment	257,908	112,828	89,967	-	460,703
Depreciation for investment property	1,360	-	-	-	1,360
Release of prepaid lease payments	2,685	370	808	-	3,863
(Gains) losses on disposal/write-off of property, plant and equipment	(10,891)	94	1,643	-	(9,154)
Research and development expenses	979,681	622,242	8,302	-	1,610,225
Share-based payments	201,582	24,190	18,542	44,717	289,031

2. SEGMENT INFORMATION – continued

Geographical information

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

	Non-current assets	
	At 31 December	
	2019	2018
	HK\$'000	HK\$'000
Mainland China	1,727,785	1,319,513
Europe	1,182,435	864,511
- Germany	766,115	475,830
- Portugal	179,498	188,645
- United Kingdom	172,282	173,268
- Others	64,540	26,768
Hong Kong	945,130	312,251
Singapore	944,722	1,040,409
Malaysia	612,431	433,780
Americas	481,378	446,354
- United States of America ("USA")	474,208	442,573
- Others	7,170	3,781
Korea	20,658	4,667
Taiwan	9,901	10,462
Others	14,073	6,111
	5,938,513	4,438,058

Note: Non-current assets excluded unallocated goodwill, other investments and deferred tax assets.

2. SEGMENT INFORMATION – continued

Geographical information – continued

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

	Revenue from external customers	
	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Mainland China	6,412,768	8,021,217
Europe	2,552,102	3,082,821
- Germany	923,484	1,154,340
- Hungary	222,348	265,605
- France	147,245	239,718
- Romania	155,685	179,981
- Poland	88,748	106,512
- Others	1,014,592	1,136,665
Americas	1,462,226	1,409,523
- USA	1,080,690	914,301
- Mexico	218,978	307,607
- Others	162,558	187,615
Malaysia	1,046,089	1,469,408
Hong Kong	941,408	1,493,132
Japan	676,598	375,111
Taiwan	598,900	855,496
Vietnam	594,927	463,056
Korea	497,801	530,725
Thailand	437,494	739,305
Philippines	328,166	364,868
India	153,021	538,257
Singapore	114,078	160,943
Others	67,464	46,728
	15,883,042	19,550,590

No individual customer contributes to more than 10% of the total revenue of the Group for the year.

3. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS

	Three months ended			
	31 December 2019 (unaudited) HK\$'000	30 September 2019 (unaudited) HK\$'000	30 June 2019 (unaudited) HK\$'000	31 March 2019 (unaudited) HK\$'000
Segment revenue from external customers				
Back-end equipment	2,026,073	1,823,371	1,616,814	1,537,196
SMT solutions	1,906,260	1,843,864	1,549,704	1,726,887
Materials	516,566	492,119	448,256	395,932
	4,448,899	4,159,354	3,614,774	3,660,015
Segment profit				
Back-end equipment	178,182	178,996	66,558	52,875
SMT solutions	278,032	226,349	208,825	213,398
Materials	9,816	18,251	19,777	10,472
	466,030	423,596	295,160	276,745
Interest income	5,179	6,337	6,261	5,883
Finance costs	(45,146)	(42,151)	(41,018)	(86,807)
Unallocated other income	12,026	716	954	-
Unallocated net foreign exchange (losses) gain and fair value change of foreign currency forward contracts	(37,232)	(14,196)	(47,977)	7,205
Unallocated general and administrative expenses	(35,696)	(31,488)	(32,304)	(28,424)
Unallocated adjustment on contingent consideration for acquisitions	6,675	2,013	4,757	8,176
Restructuring costs	(109,540)	-	-	-
Profit before taxation	262,296	344,827	185,833	182,778
Segment profit %				
Back-end equipment	8.8%	9.8%	4.1%	3.4%
SMT solutions	14.6%	12.3%	13.5%	12.4%
Materials	1.9%	3.7%	4.4%	2.6%

3. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS – continued

	Three months ended			
	31 December 2018 (unaudited) HK\$'000	30 September 2018 (unaudited) HK\$'000	30 June 2018 (unaudited) HK\$'000	31 March 2018 (unaudited) HK\$'000
Segment revenue from external customers				
Back-end equipment	1,828,624	2,374,612	2,846,659	2,209,896
SMT solutions	2,470,237	2,188,313	1,826,282	1,550,745
Materials	468,835	603,592	597,536	585,259
	<u>4,767,696</u>	<u>5,166,517</u>	<u>5,270,477</u>	<u>4,345,900</u>
Segment profit				
Back-end equipment	165,004	481,791	861,855	502,141
SMT solutions	298,654	435,720	339,534	200,644
Materials	3,333	26,296	44,870	39,246
	<u>466,991</u>	<u>943,807</u>	<u>1,246,259</u>	<u>742,031</u>
Interest income	4,885	7,404	9,134	9,580
Finance costs	(51,065)	(45,695)	(44,322)	(36,680)
Unallocated other (expenses) income	(1,470)	460	453	-
Unallocated net foreign exchange (losses) gains and fair value change of foreign currency forward contracts	(2,300)	(85,381)	(25,521)	27,060
Unallocated general and administrative expenses	(40,153)	(40,044)	(59,506)	(33,704)
Restructuring costs	(19,067)	-	-	-
Profit before taxation	<u>357,821</u>	<u>780,551</u>	<u>1,126,497</u>	<u>708,287</u>
Segment profit %				
Back-end equipment	9.0%	20.3%	30.3%	22.7%
SMT solutions	12.1%	19.9%	18.6%	12.9%
Materials	0.7%	4.4%	7.5%	6.7%

4. DEPRECIATION AND AMORTIZATION

During the year, depreciation and amortization amounting to HK\$511.8 million (2018: HK\$460.7 million), HK\$221.5 million (2018: nil), HK\$1.3 million (2018: HK\$1.4 million) and HK\$108.0 million (2018: HK\$109.5 million) were charged to profit or loss in respect of the Group's property, plant and equipment, right-of-use assets, investment property and intangible assets, respectively.

5. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
The gains and losses comprise:		
Net foreign exchange losses	(37,404)	(21,020)
Losses on fair value change of foreign currency forward contracts	(54,796)	(65,122)
Gains on disposal/write-off of property, plant and equipment and right-of-use assets	4,079	9,154
Gain (loss) on contingent consideration for acquisitions	21,621	(2,220)
Others	11,726	753
	<u>(54,774)</u>	<u>(78,455)</u>

6. RESTRUCTURING COSTS

During the year ended 31 December 2019, the Group recorded a restructuring cost of HK\$109,540,000 related to the shift of lead frame operations from Singapore to Malaysia and the discontinuation of the Molded Interconnect Substrate ("MIS") business which was a part of Materials segment business. The restructuring costs are primarily related to impairment of property, plant and equipment of HK\$56,897,000, estimated compensation to employees of HK\$23,552,000 and impairment of right-of-use assets of HK\$10,866,000.

During the year ended 31 December 2018, the Group incurred a restructuring cost of HK\$19,067,000 related to the discontinuation of the solar business which was a part of SMT Solutions segment business. The restructuring costs are mainly related to estimated compensation to employees of HK\$8,400,000 and written off of property, plant and equipment of HK\$8,000,000.

7. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Interest on bank borrowings	87,322	25,792
Interest on convertible bonds (note 13)	35,951	147,822
Interest on lease liabilities/obligation under finance leases	57,187	42
Loans arrangement fee	23,617	-
Others	11,045	4,106
	215,122	177,762

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	37,879	76,874
PRC Enterprise Income Tax	61,079	119,420
Other jurisdictions	227,241	481,327
	326,199	677,621
Under(over) provision in prior years:		
Hong Kong	81,151	105,552
PRC Enterprise Income Tax	(17,247)	1,853
Other jurisdictions	(25,771)	(885)
	38,133	106,520
Deferred tax credit	(10,976)	(22,713)
	353,356	761,428

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. Accordingly, starting from the year ended 31 December 2018, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million.

8. INCOME TAX EXPENSE - continued

- (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% (2018: 25%), 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. ATC passed the ATSE re-assessment launched by Sichuan Science and Technology Bureau in May 2018 and obtained a new ATSE Certificate in July 2018. According to the tax circular Caishui [2017] No. 79 (for the year ended 31 December 2018: Caishui [2017] No. 79), ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15%. The renewed ATSE recognition has no expiry date while ATC shall keep proper records for its fulfilment of recognition criteria as an ATSE.
- (c) On 12 July 2010, the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate ("PC") to ASM Technology Singapore Pte Ltd. ("ATS"), a principal subsidiary of the Company, to the effect that profits arising from certain new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods.

On 12 July 2010, EDB also granted ATS an International Headquarters Award ("IHA") to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period.

Income of ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (2018: 17%).

- (d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (2018: 15.00%) plus 5.50% (2018: 5.50%) solidarity surcharge thereon for the assessable profit for the year. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 13.970% to 17.150% (2018: 14.380% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 29.795% to 32.975% (2018: 30.210% to 32.975%).
- (e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

As disclosed in prior years, the Group received letters from the Hong Kong Inland Revenue Department (the "HKIRD") seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might have led to significant additional tax being charged on profits from some overseas subsidiaries in respect of source of income as concerned 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.

Based on professional advice that the Company has sought, the Group considered that it would be more beneficial for the Group from a commercial perspective to settle the tax dispute with the HKIRD on a compromised approach. In this regards, the Group submitted via its tax advisor a settlement proposal to the HKIRD. The HKIRD accepted the settlement proposal and issued revised assessment for the years of assessment 2000/01 to 2017/18 in December 2019.

8. INCOME TAX EXPENSE - continued

In the settlement proposal, key tax adjustments are: i) certain profits earned offshore by the subsidiaries were deemed as profits arising in or derived from Hong Kong; and ii) notwithstanding that the profits earned by the Hong Kong subsidiaries should be at least accepted as arm's length from Transfer Pricing perspective, additional profits were deemed to be earned by Hong Kong subsidiaries; iii) deductions on prescribed fixed assets and depreciation allowances on fixed assets used in China manufacturing sites were disallowed. As at 31 December 2018, the Group held tax reserve certificates amounting to HK\$381,166,000. During the year ended 31 December 2019, tax reserve certificates amounting to HK\$20,264,000 were purchased and HK\$397,602,000 were utilized by offsetting the tax liabilities. As at 31 December 2019, the remaining balance amounted to HK\$3,828,000 would be refunded by the HKIRD.

9. DIVIDENDS

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<u>Dividend recognized as distribution during the year</u>		
Interim dividend for 2019 paid of HK\$1.30 (2018: HK\$1.30) per share on 406,671,333 (2018: 404,425,433) shares	528,673	525,753
Final dividend for 2018 paid of HK\$1.40 (2018: final dividend for 2017 paid of HK\$1.30) per share on 406,671,333 (2018: 404,425,433) shares	569,340	525,753
	<u>1,098,013</u>	<u>1,051,506</u>

Subsequent to the end of the reporting period, a final dividend of HK\$0.70 (2018: final dividend of HK\$1.40) per share in respect of the year ended 31 December 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<u>Dividend proposed subsequent to the end of the reporting period</u>		
Proposed final dividend for 2019 of HK\$0.70 (2018: HK\$1.40) per share on 408,895,533 (2018: 406,671,333) shares	286,227	569,340

10. EARNINGS PER SHARE

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2019 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2019 (audited) HK\$'000	2018 (audited) HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	216,458	211,161	619,249	2,216,062
	Three months ended 31 Dec		Year ended 31 Dec	
	2019	2018	2019	2018
	(unaudited)	(unaudited)	(audited)	(audited)
	Number of shares (in thousand)		Number of shares (in thousand)	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	406,739	404,580	406,533	404,900
Effect of dilutive potential shares:				
- Employee Share Incentive Scheme	2,195	2,353	2,096	2,310
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	408,934	406,933	408,629	407,210

Note: Convertible bonds were fully redeemed on 28 March 2019 upon maturity. The calculation of diluted earnings per share for the three months ended 31 December 2018, for the year ended 31 December 2018 and 31 December 2019 did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in diluted earnings per share.

11. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2019	2018
	HK\$'000	HK\$'000
Trade receivables (Note)	4,324,297	5,497,113
Value added tax recoverable	198,590	277,198
Tax reserve certificate recoverable	3,828	381,166
Other receivables, deposits and prepayments	183,455	169,424
	4,710,170	6,324,901

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 31 December	
	2019	2018
	HK\$'000	HK\$'000
Not yet due (Note)	2,947,345	4,028,545
Overdue within 30 days	579,536	658,525
Overdue within 31 to 60 days	388,540	327,609
Overdue within 61 to 90 days	91,654	147,338
Overdue over 90 days	317,222	335,096
	4,324,297	5,497,113

Note: The amount included notes receivables amounting to HK\$778,536,000 (2018: HK\$1,250,430,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 1.

Credit policy:

Before accepting any new customer, the Group assesses the potential customer's credit quality and pre-sets maximum credit limit for each customer. Limits and credit quality attributed to customers are reviewed regularly. 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.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,376,952,000 (2018: HK\$1,468,568,000) which are past due as at the reporting date. The Group considers the information developed internally or obtained from external sources and considered that the debtor is likely to pay its creditors, including the Group, and the past due balances are therefore, not considered as in default.

12. TRADE LIABILITIES AND OTHER PAYABLES

	At 31 December	
	2019	2018
	HK\$'000	HK\$'000
Trade payables	1,406,438	1,329,947
Deferred income (Note)	104,991	130,944
Accrued salaries and wages	294,719	332,172
Other accrued charges	475,557	758,990
Accrual for tax-related expense	-	168,400
Payables arising from acquisition of property, plant and equipment	139,421	151,978
Consideration payable for acquisition	-	28,330
Contingent consideration for acquisitions	29,489	20,036
Other payables	219,796	244,681
	2,670,411	3,165,478

Note: The amounts mainly represent the spare credits that grant customers the right to purchase certain amounts of spare parts for free, which are contract liabilities.

Accrued lease payments were adjusted upon initial application of HKFRS 16. Details of the adjustments are set out in note 1.

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

	At 31 December	
	2019	2018
	HK\$'000	HK\$'000
Not yet due	1,145,346	954,686
Overdue within 30 days	165,684	194,825
Overdue within 31 to 60 days	53,644	100,480
Overdue within 61 to 90 days	22,238	47,032
Overdue over 90 days	19,526	32,924
	1,406,438	1,329,947

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. CONVERTIBLE BONDS

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

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price of HK\$98.21 per share (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). Details of the adjustments to conversion price of the convertible bonds were set out in the Company's announcements dated 13 May 2015, 11 May 2016, 17 August 2017 and 14 May 2018.

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 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.

None of the convertible bonds was redeemed or converted during the year ended 31 December 2018 and for the period from 1 January 2019 to the Maturity Date. The convertible bonds was fully redeemed on 28 March 2019. The convertible bonds equity reserve of HK\$250,249,000 was transferred to retained profits upon redemption.

13. CONVERTIBLE BONDS - continued

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

	Liability component	Equity component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	2,133,727	250,249	2,383,976
Interest charge during the year (note 7)	147,822	-	147,822
Interest paid	(45,000)	-	(45,000)
At 31 December 2018 and 1 January 2019	2,236,549	250,249	2,486,798
Interest charge during the year (note 7)	35,951	-	35,951
Interest paid	(22,500)	-	(22,500)
Redemption on 28 March 2019	(2,250,000)	(250,249)	(2,500,249)
At 31 December 2019	-	-	-

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

	At 31 December	
	2019	2018
	HK\$'000	HK\$'000
Current liabilities		
Interest payable on convertible bonds (included in trade liabilities and other payables)	-	11,897
Convertible bonds	-	2,224,652
	-	2,236,549

REVIEW

GROUP RESULTS

Group:	FY 2019		2H 2019			Q4 2019		
		YoY		HoH	YoY		QoQ	YoY
Bookings (US\$m)	2,021.2	-21.5%	959.0	-9.7%	-12.2%	445.2	-13.3%	-6.1%
Revenue (US\$m)	2,026.6	-18.8%	1,099.3	+18.3%	-13.3%	568.0	+7.0%	-6.7%
Gross Margin	34.8%	-326 bps	34.8%	-5 bps	-73 bps	34.8%	+3 bps	+181 bps
Net Profit (HK\$m)	622.4	-71.9%	444.1	+149.1%	-45.5%	221.9	-0.2%	+4.5%
Net Profit Margin	3.9%	-739 bps	5.2%	+271 bps	-304 bps	5.0%	-36 bps	+54 bps

In 2019, the semiconductor industry went through a slowdown largely due to global economic uncertainties amid the trade war and weaker demand from some end-markets such as Optoelectronics and Automotive.

Despite the challenging economic conditions, ASMPT made good progress during the year as a result of successfully implementing a range of initiatives such as focusing on higher growth markets and realigning operations to reduce costs. The Group managed to re-establish momentum in its business in the second half of the year with a strong 18.3% revenue growth and 149.1% improvement in net profit over the first half of the year.

In the 4th quarter, the Back-end Equipment Segment revenue increased quarter-on-quarter (“QoQ”) and year-on-year (“YoY”), which was better than our guidance. SMT Solutions Segment revenue achieved QoQ growth, which was better than guidance but YoY declined as guided. Materials Segment performed in line with guidance with revenue growth for both QoQ and YoY. Group bookings declined 13.3% QoQ due to seasonal pattern and the decline was in line with guidance.

Group gross margin for the 4th quarter at 34.8% was flat QoQ, which was better than our guidance. On a YoY basis, it improved 181 bps. On a full year basis, Group gross margin was lower compared with prior year mainly due to lower revenue and production capacity utilization in all the three segments and higher revenue contribution from the SMT Solutions Segment, which had a lower gross margin compared to the Back-end Equipment Segment.

A restructuring cost was booked in the 4th quarter. The restructuring cost relates to the relocation of the lead frame operations from Singapore to Malaysia and discontinuation of the MIS business (see page 31, “Restructuring Impact”). The restructuring cost comprised mainly impairment of property, plant and equipment, compensation to employees and other costs. If this restructuring cost of HK\$106.9 million (tax-effected) was excluded, the net profit for the 4th quarter and full year would have been HK\$328.7 million and HK\$729.2 million respectively.

Diverse Customer Base

Having a diverse customer base continues to add value to the Group’s business. In 2019, no single customer accounted for over 10% of the Group’s revenue. Our top five customers combined contributed 15.3% (2018: 18.0%) of the Group’s revenue and 80% of the Group’s revenue came from 200 (2018: 166) customers.

REVIEW - continued

The Group's top 20 customers came from different market segments including the world's leading Information and Communication Technology Infrastructure and Smart Devices provider, Integrated Device Manufacturers, Tier-1 Outsourced Semiconductor Assembly and Test companies ("OSATs"), major OSATs in China, camera modules manufacturers, top Electronics and Manufacturing Services providers and automotive components suppliers. Among them, 5 were SMT Solutions Segment customers and 4 were common for the Back-end Equipment and SMT Solutions Segments.

The acquisition of NEXX has also introduced a new customer base comprising leading substrate makers into the top 20 customer mix.

Geographically, China (inclusive of Hong Kong), Europe, the Americas, Malaysia and Japan were the top five markets for the Group in 2019.

By application market, the Mobility, Communications and IT segment remains the largest application market by revenue in 2019. While second half of the year revenue from all other application markets declined YoY, Mobility, Communications and IT segment recorded a strong double-digit growth attributable mainly to the demand from China and 5G infrastructure build-up. Automotive segment was the second largest application market despite a slowdown of the automotive industry.

Value-added Acquisitions

The Group also recorded good progress from businesses that it acquired over the past few years, in particular, ASM NEXX, which provides advanced deposition tools to the Advanced Packaging market, and Critical Manufacturing, which provides Manufacturing Execution System software solutions. Both made a significant achievement by turning in profits in FY2019.

The Catalysts for Growth

There are several factors contributing to our out-performance of the market in FY2019 and these factors are expected to continue to drive our business momentum.

Demand levels in our major markets are expected to improve. In China, there is a perceptible momentum from local companies to localize their production amid an escalating trade war. This move is also supported by government policies, which advocate for supply chain localization.

The other immediate growth driver is the deployment of 5G infrastructure and the advent of 5G smartphones. The acceleration of these factors is propelling the industry — not only because of the direct impact on semiconductor chip demand — but also due to the wider benefits the 5G wireless technology on global businesses and economies.

For the longer-term outlook, innovations enabled by 5G such as Augmented and Virtual Reality ("AR/VR"), autonomous vehicles, and Internet of Things will drive the increase in economic activities. These drivers will push up the demand for semiconductors.

Furthermore, Advanced Packaging and Heterogeneous Integration are shifting the value-add from the front-end to the back-end of the semiconductor industry. Our investment in Advanced Packaging is bearing fruit.

REVIEW - continued

Startups Pioneering Technologies of Tomorrow

With the accelerating pace of technological change, ASMPT has made investments in startups a key part of its corporate strategy.

In 2019, the Group invested in a 3D laser printing company based in Israel whose cutting-edge technology may potentially disrupt the SMT printing industry.

In 2018, the Group invested in a Silicon Valley startup whose technology allows high speed x-ray inspection of advanced semiconductor packages. This will help make 100% real time inspection possible for Advanced Packaging.

Such investments would accelerate ASMPT's access to innovation that could be integrated into its portfolio offerings in the future.

Strengthening Competitive Position

ASMPT continues to focus on building a strong business foundation and have the financial wherewithal to continue to strengthen its portfolio and position in the industry. Its relentless innovation in key growth areas combined with the acquisitions and investments made in new technologies has enabled it to improve its competitive position against competitors.

Specifically, the Group has market leading positions in:

- **CMOS Image Sensors ("CIS")** - As camera technology and multiple cameras continue to be the key selling points for smartphones, ASMPT is well-poised to capture this increasing demand;
- **Advanced Packaging** - The proliferation of advanced logic, AI, high performance computing and 5G-driven applications will drive demand for our Advanced Packaging tools; and
- **Power Management Semiconductor** - Used in a wide array of applications for mobile devices, consumer goods, industrial and automotive.

The Group has also invested in several other new technologies such as:

- **Silicon Photonics** - through the acquisition of AMICRA Microtechnologies to capture demand for future data center bandwidth growth and next generation 5G deployments;
- **Industrial Internet of Things** - through the acquisition in Critical Manufacturing to capture demand for SMART Factory software solutions and connected smart machines. The Group is also working with an advanced analytics company to jointly develop and promote a smart solution that will help semiconductor and electronics manufacturers capture, analyze and operationalize high volumes of data and apply sophisticated analytics to analyze risk, optimize processes and predict failure;
- **Mini and Micro LED Solutions** - to capture demand for devices that require mini or micro LED such as those used in indoor and outdoor displays, smart watches and AR/VR; and
- **Automated Optical Inspection** - tools that registered billings growth of more than 4 times YoY due primarily to demand from CIS customers for inspection of foreign particles and bonding quality.

REVIEW - continued

In summary, the Group's enhanced and broadening product portfolio is key to driving its business momentum. ASMPT is prepared to take advantage of all these new developments as it has created an unparalleled product and solution portfolio through internal development, investments and acquisitions over the past few years. The Group has a resilient and balanced portfolio of businesses, strong capabilities and a good position in some of the world's fastest growing markets.

BACK-END EQUIPMENT SEGMENT

	FY 2019		2H 2019			Q4 2019		
		YoY		HoH	YoY		QoQ	YoY
Bookings (US\$m)	910.8	-27.6%	441.0	-6.1%	-11.2%	178.6	-31.9%	-23.2%
Revenue (US\$m)	893.6	-24.4%	491.6	+22.0%	-8.4%	258.7	+11.1%	+10.8%
Gross Margin	41.1%	-472 bps	42.1%	+203 bps	-128 bps	40.8%	-263 bps	-226 bps
Segment Profit (HK\$m)	476.6	-76.3%	357.2	+199.1%	-44.8%	178.2	-0.5%	+8.0%
Segment Profit Margin	6.8%	-1,491 bps	9.3%	+549 bps	-611 bps	8.8%	-102 bps	-23 bps

In 2019, this segment contributed 44.1% (2018: 47.4%) of the Group's total revenue. It continued to hold the No. 1 position in the global market, a position it first attained in 2002. It has also further widened the revenue gap with the closest rival.

On a full year basis, gross margin of this segment was adversely impacted because of lower revenue and lower manufacturing capacity utilization. However, demand momentum for traditional tools, in particular Wire Bonders, started to pick up in the second half of the year. Traditional tools typically have lower margins compared to Advanced Packaging and CIS tools. This coupled with higher IC and LED but lower CIS customer mix pulled down the gross margin for the 4th quarter.

Advanced Packaging tools contributed to more than 20% (2018: more than 10%) of the revenue of this segment for this fiscal year. CIS and Advanced Packaging tools collectively contributed to more than 50% of the segment's revenue. Billings for CIS and Advanced Packaging grew YoY despite the soft market condition in 2019.

CIS billings continued its momentum in 2019, brought about by the rising adoption of smartphones with higher resolution cameras, multi-camera, 3D sensing, Time of Flight camera, wide Field of View and telescopic lens features. In fact, full year billings for CIS grew YoY while billings for IC and Discrete and LED declined.

ASM NEXX made a significant contribution to the bookings and billings of the IC and Discrete business in 2019. It has also strengthened ASMPT's position in the Advanced Packaging market. The Group remains confident that its investments in Advanced Packaging over the past few years has put ASMPT well ahead of its peers. Today, ASMPT has become the "go-to" partner of many of our customers who are developing Advanced Packaging solutions.

With effect from FY 2020, we will rename the Back-end Equipment Segment to Semiconductor Solutions Segment. This is to better reflect the inclusion of the ASM NEXX business, acquired in October 2018, which served the mid-end deposition tools market. ASM NEXX has grown to become a significant part of the Group's business in the Group's transition to an integrated hardware and software solutions provider for the semiconductor packaging market.

REVIEW - continued

MATERIALS SEGMENT

	FY 2019		2H 2019			Q4 2019		
		YoY		HoH	YoY		QoQ	YoY
Bookings (US\$m)	238.7	-2.5%	133.6	+27.2%	+42.4%	70.1	+10.2%	+75.6%
Revenue (US\$m)	236.4	-17.8%	128.8	+19.5%	-5.9%	66.0	+5.0%	+10.2%
Gross Margin	10.1%	-135 bps	9.4%	-159 bps	-15 bps	8.5%	-187 bps	+79 bps
Segment Profit (HK\$m)	58.3	-48.7%	28.1	-7.2%	-5.3%	9.8	-46.2%	+194.5%
Segment Profit Margin	3.1%	-190 bps	2.8%	-80 bps	+2 bps	1.9%	-181 bps	+119 bps

In 2019, the Materials Segment contributed 11.7% (2018: 11.5%) of the Group's total revenue. This segment recorded four consecutive quarters of QoQ growth in bookings. The semiconductor industry is clearly on the path of recovery.

Gross margin in the 4th quarter was adversely impacted by the increase in commodity price, in particular Copper and Palladium. On a full year basis, gross margin declined, largely due to the drop in revenue.

Restructuring Impact

As part of our ongoing effort to drive for greater efficiencies and to reduce costs, the Group decided to relocate the lead frame operations in Singapore to the newly expanded plant in Malaysia. The relocation of the lead frame operations started in Q1 2020 and is expected to complete by mid-2021. The Group also decided to discontinue the MIS business in Q1 2020 after an extensive evaluation of the competitive landscape of this business. The Group is of the opinion that the conventional substrate has an edge over MIS in terms of price and technical features like finer line spacing and higher I/O's capabilities. This discontinuation is expected to have minimal impact on the Group's revenue. These two initiatives that we have undertaken would have a positive impact on this segment's gross margin and profitability going forward.

SMT SOLUTIONS SEGMENT

	FY 2019		2H 2019			Q4 2019		
		YoY		HoH	YoY		QoQ	YoY
Bookings (US\$m)	871.7	-18.7%	384.4	-21.1%	-23.5%	196.6	+4.6%	-2.7%
Revenue (US\$m)	896.6	-12.6%	478.9	+14.5%	-19.5%	243.3	+3.4%	-22.8%
Gross Margin	34.9%	-154 bps	34.1%	-184 bps	-28 bps	35.5%	+282 bps	+521 bps
Segment Profit (HK\$m)	926.6	-27.3%	504.4	+19.5%	-31.3%	278.0	+22.8%	-6.9%
Segment Profit Margin	13.2%	-267 bps	13.4%	+56 bps	-231 bps	14.6%	+231 bps	+250 bps

This segment contributed 44.2% (2018: 41.1%) to the Group's revenue in 2019. Despite the headwinds of weak economic conditions and the slowdown in automotive demand, the SMT Solutions Segment benefitted from the increase in 5G infrastructure-related investments.

REVIEW - continued

However, the higher revenue contribution from China as a result of market share gain for China-branded smartphones and the slowdown of the automotive industry adversely impacted the gross margin of this segment on a full year basis. To mitigate this, this segment has looked at ways to lower its cost of operations. One initiative was to increase the volume of assembly work done in Malaysia after the Group has expanded the plant in Malaysia. The other initiative was to deploy a satellite operation in Hungary to support the assembly operations in Munich, Germany. This segment recorded an improvement in gross margin QoQ and YoY for the 4th quarter due partly to warranty provisions write-back, which indicated that the tools sold were reliable and thus less warranty claims. There was also a one-off charge in Q4 2018 relating to the discontinuation of the Solar business, which pulled down the gross margin in that quarter.

Being the leading supplier of SMT equipment and solutions since 2015, the Group was also the first to launch integrated and open data communication from the individual machine to the line, the factory, and the cloud in 2019. This means electronics manufacturers can now take a step-by-step transformation into an integrated smart factory and meet their Industry 4.0 goals.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 31 December 2019 increased slightly by 3.4% to HK\$2.33 billion (2018: HK\$2.25 billion). During 2019, HK\$1.1 billion was paid as dividends (2018: HK\$1.05 billion). Capital addition during the period amounted to HK\$684.7 million (2018: HK\$813.3 million), which was partially funded by the year's depreciation and amortization of HK\$621.1 million (2018: HK\$575.4 million), excluding the depreciation of right-of-use assets of HK\$221.5 million as per HKFRS 16 in the current period. Day sales outstanding decreased to 99.4 days (2018: 102.6 days).

As of 31 December 2019, the current ratio was 3.02 (2018: 1.95), with a debt-to-equity ratio of 26.2% (debts include all bank borrowings and obligations under finance leases) (2018: 28.7% with debts that included all bank borrowings, convertible bonds and obligations under finance leases). The Group had available banking facilities of HK\$2.25 billion (US\$289.4 million) in the form of bank loans and overdraft facilities. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in Hong Kong dollars and Euros.

The Company has fully redeemed all the outstanding convertible bonds with the principal amount of HK\$2.25 billion (which were denominated in Hong Kong dollars, raised in year 2014 with an annual coupon of 2.00%) upon maturity on 28 March 2019. A syndicated loan of HK\$2.5 billion was arranged to finance the redemption of the convertible bonds, and it is a flexible-rate borrowing. The repayment of the syndicated loan will commence from March 2022 to March 2024. The Group shareholders' funds was HK\$11.6 billion as at 31 December 2019.

As of 31 December 2019, cash holdings of the Group were mainly in US dollars, Euros, Chinese RMB and Singapore dollars. The Group's SMT Solutions Segment entered into US dollars and Euros hedging contracts to mitigate the foreign currency risks as a significant portion of the production of SMT equipment and its suppliers are located in Europe while a substantial part of the Group's revenue for SMT equipment was denominated in US dollars.

In terms of currency exposure, the Group was moderately exposed. The majority of our sales were denominated in US dollars, Euros and Chinese RMB. On the other hand, disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese RMB.

LIQUIDITY AND FINANCIAL RESOURCES - continued

The Group is committed to paying dividends that are sustainable and gradually increasing over time while maintaining an optimal capital structure. However, in light of the COVID-19 outbreak situation, the Board recommends a final dividend of HK\$0.70 per share, which is HK\$0.70 less than what we would have paid if the dividend is sustained at the same level as 2018 final dividend of HK\$1.40 per share. The Board opines that it is in the interest of all stakeholders to take a more prudent stance during this exceptional period and will consider paying a higher dividend at a later date when the economic condition improves. This should not be perceived as a departure from the Group's current dividend policy.

The total dividend payout for 2019 is HK\$2.00 per share (2018: HK\$2.70 per share). This represents a payout ratio of 132% for 2019.

HUMAN RESOURCES

Our people are key in helping our customers to successfully enable the digital world. At ASMPT, we strive to attract, nurture and retain our talented employees through a holistic approach of competitive remuneration packages, long-term employee development and having an inclusive and positive work environment. Other than annual salary reviews, employees receive a range of benefits including medical, training subsidies and team bonding activities that promote camaraderie and strengthen the relationships at work. Discretionary bonus and incentives shares are also granted to eligible employees based on the Group's financial performance and individual staff performance.

As of 31 December 2019, the total headcount for the Group was approximately 15,200, which included 1,300 temporary or short-term contract employees and outsourced workers. Of the total workforce, around 1,300 based in Hong Kong, 7,700 in Mainland China, 1,400 in Singapore, 1,300 in Germany, 1,600 in Malaysia, 400 in United Kingdom, 300 in the United States, with the rest based in other parts of the world.

The total manpower costs for the Group in 2019 was HK\$4.90 billion, as compared with HK\$5.00 billion in 2018.

Collaborating with Educational Institutions

The Group works closely with local universities and technical institutions globally on events, internship programs, scholarship opportunities, sponsorships and lectures to increase students' interest in technology and innovation. The aim is to develop an industry-ready pipeline of talent through inspiring students to start their career with ASMPT.

Developing Careers

We partner with our employees to develop their talents and passions into new opportunities that advance their careers. Our career development framework and tools guide our people through their journey, helping them to discover who they are, identify in which areas they want to grow, and develop an action plan to get there.

In 2019, we continued our strategic investment in developing our leaders. The Group has put in place a succession plan to identify and develop a strong and cohesive leadership team that will lead the group in a sustainable manner. These earmarked high potential executives must undergo job rotation, mentoring and training programs that will prepare them to take over the helm at the right time.

HUMAN RESOURCES – continued

Giving Back to Society

The Group also actively encourages employees to proactively give back to the communities in which we operate, through voluntary work and donations. In 2019, the Group devoted approximately 25,000 hours to volunteer work.

PROSPECTS

The Group ended the year with increased optimism that the global semiconductor industry is expected to stage a 2020 recovery and set a high in 2021. There are several other factors contributing to this optimism — pickup in demand from the Chinese manufacturers to localize their supply chains, the accelerated deployment of 5G infrastructure, the roll out of 5G handsets and the progress the Group is making on capturing new market opportunities such as Advanced Packaging, Silicon Photonics, Industrial Internet of Things, mini and micro LED solutions, Power semiconductors, Industry 4.0 solutions and Automated Optical Inspection.

OUTLOOK

January 2020 booking momentum prior to the Chinese New Year (“CNY”) was very strong for all the three segments. In fact, SMT Solutions Segment’s booking was the highest ever recorded for the month of January. While the booking momentum was certainly tempered by the COVID-19 outbreak, we are still cautiously optimistic that Q1 2020 Group booking would achieve a YoY growth.

The outbreak has certainly hit China’s economy hard in the past weeks. The Group’s manufacturing and sales operations and supply chains were disrupted as a result. The Group’s manufacturing operations in China were shut down during the extended CNY holidays imposed by the Chinese government in its effort to contain the spread of the virus. While we have started to ramp up manufacturing activities, we anticipate that we would lose around 1/3 of our production capacities in China in Q1 2020. On a full year basis, we estimate the impact to be less than 10%.

It is challenging to render a revenue forecast in view that the situation is still evolving. Based on our best estimation at the time of this announcement, we anticipate that Q1 2020 Group revenue will be in the range of between US\$370 million to US\$450 million, and more than likely the Group will record a loss for Q1 2020.

Unique Window of Opportunity

ASMPT is confident that it is well positioned to take advantage of this unique window of opportunity. Its aggressive early investment approach to be prepared for trends has enabled the Group to improve its competitive position and increase its market opportunities.

ASMPT continues to focus on building a strong business foundation and have the financial wherewithal to continue to strengthen its portfolio and position in the industry.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that an independent professional trustee appointed by the Board under the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on the Stock Exchange a total of 386,400 shares in the Company at a total consideration of approximately HK\$33.9 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019.

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

AUDIT COMMITTEE

The audit committee of the Company (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 FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2019 in conjunction with the Company's external auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures as set out in the preliminary announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants. Consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

BOARD OF DIRECTORS

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

On behalf of the Board
Lee Wai Kwong
Director

Hong Kong, 25 February 2020