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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

**ANNOUNCEMENT OF UNAUDITED 2020 FIRST QUARTER RESULTS FOR
THE THREE MONTHS ENDED 31 MARCH 2020**

Grasping Opportunities in Crises, Forging Ahead

- Group revenue of US\$434.2 million decreased 7.6% and 24.0% over the same period of last year and the preceding three months, respectively
- Net profit of HK\$25.4 million decreased 76.6% and 88.6% over the same period of last year and the preceding three months, respectively
- Earnings per share of HK\$0.06 decreased HK\$0.21 and HK\$0.47 over the same period of last year and the preceding three months, respectively
- Semiconductor Solutions Segment revenue of US\$194.3 million decreased 1.6% and 25.3% over the same period of last year and the preceding three months, respectively
- Materials Segment revenue of US\$51.6 million increased 1.3% over the same period of last year but decreased 22.3% over the preceding three months
- SMT Solutions Segment revenue of US\$188.3 million decreased 15.1% and 23.1% over the same period of last year and the preceding three months, respectively
- Group bookings of US\$668.9 million increased 45.3% and 50.2% over the same period of last year and the preceding three months, respectively
- Cash and bank deposits of HK\$3.25 billion at the end of March 2020, as compared with HK\$2.33 billion at the end of 2019
- Book to bill ratio was 1.54

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the three months ended 31 March 2020:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) achieved revenue amounting to **HK\$3.38 billion** (US\$434.2 million) for the three months ended 31 March 2020, which decreased 7.6% and 24.0% as compared with HK\$3.66 billion (US\$466.6 million) for the first quarter of 2019 and HK\$4.45 billion (US\$568.0 million) for the preceding quarter, respectively. The Group’s consolidated profit after taxation for the first quarter of 2020 was **HK\$25.4 million** as compared with a profit of HK\$108.2 million in the corresponding period in 2019, and a profit of HK\$221.9 million in the previous quarter. Basic earnings per share for the first quarter of 2020 amounted to **HK\$0.06** (first quarter of 2019: HK\$0.27, fourth quarter of 2019: HK\$0.53).

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended		
		31 March 2020 (unaudited) HK\$'000	31 December 2019 (unaudited) HK\$'000	31 March 2019 (unaudited) HK\$'000
	<i>Notes</i>			
Revenue	2	3,380,288	4,448,899	3,660,015
Cost of sales		(2,247,378)	(2,902,133)	(2,419,791)
Gross profit		1,132,910	1,546,766	1,240,224
Other income		55,710	14,551	14,088
Selling and distribution expenses		(367,564)	(417,914)	(368,421)
General and administrative expenses		(224,919)	(262,885)	(223,458)
Research and development expenses		(395,091)	(445,905)	(409,056)
Other gains and losses		(11,726)	(17,631)	16,208
Other expenses	3	(61,270)	(109,540)	-
Finance costs		(39,530)	(45,146)	(86,807)
Profit before taxation		88,520	262,296	182,778
Income tax expense		(63,170)	(40,434)	(74,541)
Profit for the period		25,350	221,862	108,237
Profit (loss) for the period attributable to:				
Owners of the Company		23,596	216,458	110,058
Non-controlling interests		1,754	5,404	(1,821)
		25,350	221,862	108,237
Earnings per share	4			
- Basic		HK\$0.06	HK\$0.53	HK\$0.27
- Diluted		HK\$0.06	HK\$0.53	HK\$0.27

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		
	31 March	31 December	31 March
	2020	2019	2019
	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000
Profit for the period	25,350	221,862	108,237
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
- exchange differences arising on translation of foreign operations	(226,264)	104,750	18,218
- fair value loss on hedging instruments designated as cash flow hedges	(13,665)	-	-
	(239,929)	104,750	18,218
Items that will not be reclassified to profit or loss:			
- remeasurement of defined benefit retirement plans, net of tax	-	(55,916)	-
- fair value gain on investments in equity instruments at fair value through other comprehensive income	-	8,020	-
	-	(47,896)	-
Other comprehensive (expense) income for the period	(239,929)	56,854	18,218
Total comprehensive (expense) income for the period	(214,579)	278,716	126,455
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company	(213,558)	270,770	129,666
Non-controlling interests	(1,021)	7,946	(3,211)
	(214,579)	278,716	126,455

Notes:

1. Principal Accounting Policies

The financial highlights have been prepared under 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.

2. Segment Information

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

	Three months ended		
	31 March 2020 (unaudited) HK\$'000	31 December 2019 (unaudited) HK\$'000	31 March 2019 (unaudited) HK\$'000
Segment revenue from external customers			
Semiconductor Solutions*	1,512,867	2,026,073	1,537,196
SMT Solutions	1,466,151	1,906,260	1,726,887
Materials	401,270	516,566	395,932
	3,380,288	4,448,899	3,660,015
Segment profit			
Semiconductor Solutions*	84,519	178,182	52,875
SMT Solutions	126,364	278,032	213,398
Materials	15,844	9,816	10,472
	226,727	466,030	276,745
Interest income	4,285	5,179	5,883
Finance costs	(39,530)	(45,146)	(86,807)
Unallocated other (expenses) income	(2,709)	12,026	-
Unallocated net foreign exchange (losses) gain and fair value change of foreign currency forward contracts	(7,740)	(37,232)	7,205
Unallocated general and administrative expenses	(31,243)	(35,696)	(28,424)
Unallocated adjustment on contingent consideration for acquisitions	-	6,675	8,176
Other expenses	(61,270)	(109,540)	-
Profit before taxation	88,520	262,296	182,778
Segment profit %			
Semiconductor Solutions*	5.6%	8.8%	3.4%
SMT Solutions	8.6%	14.6%	12.4%
Materials	3.9%	1.9%	2.6%

* Effective from 1 January 2020, the Back-end Equipment Segment has been renamed Semiconductor Solutions Segment.

3. Other expenses

	Three months ended		
	31 March 2020 (unaudited) HK\$'000	31 December 2019 (unaudited) HK\$'000	31 March 2019 (unaudited) HK\$'000
Restructuring costs	-	109,540	-
Other expenses (Note)	61,270	-	-
	61,270	109,540	-

Note: For a like-to-like comparison with prior quarter results, we have re-classified certain expenses of HK\$61.3 million in the cost of sales and operating expenses which were directly related and attributable to COVID-19 event to a separate line item under other expenses. Of these, HK\$47.7 million were attributable to manufacturing-related costs, such as staff, space and depreciation expenses which the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants and another HK\$13.6 million were incremental costs incurred such as additional transport arrangements, higher freight costs and costs of procuring personal protective equipment to ensure the safety and health of our staff.

4. 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 March 2020 (unaudited) HK\$'000	31 December 2019 (unaudited) HK\$'000	31 March 2019 (unaudited) HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	23,596	216,458	110,058

	Three months ended		
	31 March 2020 (unaudited)	31 December 2019 (unaudited)	31 March 2019 (unaudited)
	Number of Shares (in thousands)		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	408,895	406,739	406,671
Effect of dilutive potential shares:			
- Employee Share Incentive Scheme	6	2,195	400
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	408,901	408,934	407,071

REVIEW

GROUP RESULTS

Group	Q1 2020		
		YoY	QoQ
Bookings (US\$m)	668.9	+45.3%	+50.2%
Revenue (US\$m)	434.2	-7.6%	-24.0%
Gross Margin	33.5%	-37 bps	-125 bps
Operating Profit (HK\$m)	145.3	-39.3%	-65.4%
Net Profit (HK\$m)	25.4	-76.6%	-88.6%
Net Profit Margin	0.7%	-221 bps	-424 bps

Despite a challenging quarter with the COVID-19 outbreak, the Group managed to register a very strong double-digit % year-on-year (“YoY”) and quarter-on-quarter (“QoQ”) growth in bookings. In fact, the bookings for this quarter was the 2nd highest first quarter bookings after the record booking performance in Q1 2018. All 3 business segments registered double-digit % bookings growth, QoQ and YoY.

The Group started the year with very strong bookings in January. The momentum was disrupted in February due to the COVID-19 outbreak in China. However, bookings in March returned to normal, with immaterial amount of order cancellation. The Group achieved strong double-digit % YoY booking growth in Q1 this year, led by customers in China, Taiwan and Korea. Multiple factors drove the strong booking performance of the Group, including 5G infrastructure built up, localization of the China semiconductor supply chain, recovery of the Optoelectronic market and the Group’s strong position in Advanced Packaging.

The Group achieved a revenue of US\$434.2 million, which was at the higher end of our guidance and a net profit of HK\$25.4 million which was better than our guidance of a loss for this quarter.

Q1 2020 Group gross margin at 33.5% was lower YoY and QoQ mainly attributed to SMT Solutions Segment revenue’s geographical mix.

Diverse Customer Base

Having a diverse customer base continues to add value to the Group’s business. In Q1 2020, no single customer accounted for over 10% of the Group’s revenue. Our top five customers combined contributed 15.4% of the Group’s revenue and 80% of the Group’s revenue came from 112 customers.

The Group’s top 20 customers came from different market segments including the world’s leading telecommunication and information technology 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, automotive components suppliers and leading substrate makers. Among them, seven were SMT Solutions Segment customers and six were common for the Semiconductor Solutions and SMT Solutions Segments.

Geographically, China (inclusive of Hong Kong), Europe, the Americas, Taiwan and Malaysia were the top five markets for the Group in Q1 of 2020.

REVIEW – continued

In terms of end-application market, the Mobility, Communications and IT segment remains the largest by revenue in Q1 2020 underpinned by the continued momentum in China and 5G infrastructure demand. A surge in demand for general lighting tools drove the Optoelectronics segment to register the largest growth, both YoY and QoQ, in percentage terms to form the 3rd largest revenue contributor after the Automotive segment which retained the 2nd spot despite a slowdown of the automotive industry.

COVID-19 Situation Update

Since the outbreak of COVID-19, we have taken every effort to protect the safety and health of our employees which is the utmost priority. The Group has implemented various measures like work-from-home arrangement for certain employees and enhanced social distancing measures at our workplace. These prevention control procedures have worked out well so far with minimal disruption to operations. Besides focusing on employee safety and business continuity, our focus is also to ensure compliance with local authorities' guidelines and restrictions and helping the community to fight the outbreak as a responsible corporate citizen.

As at the date of this announcement, close to 100% of our employees in our China manufacturing plants had returned back to work. We lost some production capacities during the extended Chinese New Year holiday period and subsequent travel disruptions. The Group's manufacturing team in China demonstrated great resilience when our plants were re-opened after the prolonged shutdown due to the COVID-19 outbreak. The Group is also grateful to our suppliers who had supported us. We are working towards recovering a big portion of lost capacity over next few months through productivity improvement and working overtime.

The other two primary production facilities in Malaysia and Singapore are also affected. Malaysia government has imposed a Movement Control Order closing all factories from 18 March 2020 until 28 April 2020. Our factory, as part of essential supply chain, has been granted approval to run production with a reduced workforce. On 3 April 2020, Singapore government also announced a set of tightened measures effective from 7 April 2020 until 4 May 2020, including suspending all non-essential workplace. Our business is classified as a key economic sector and allowed to remain open but with certain restrictions. While it is inevitable that such restrictions would have an impact on our production capacities and efficiencies, we are able to cushion some of these adverse impacts because of our diversified manufacturing base.

In order to facilitate a like-to-like comparison with prior quarter results, we have re-classified certain expenses of HK\$61.3 million in the Cost of Sales and Operating Expenses which were directly related and attributable to COVID-19 event to a separate line item under Other Expenses. Of these, HK\$47.7 million were attributable to manufacturing-related costs, such as staff, space and depreciation expenses which the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants and another HK\$13.6 million were incremental costs incurred such as additional transport arrangements, higher freight costs and costs of procuring personal protective equipment to ensure the safety and health of our staff.

REVIEW – continued

SEMICONDUCTOR SOLUTIONS SEGMENT (FORMERLY BACK-END EQUIPMENT SEGMENT)

Semiconductor Solutions Segment:	Q1 2020		
		YoY	QoQ
Bookings (US\$m)	309.5	+39.0%	+73.3%
Revenue (US\$m)	194.3	-1.6%	-25.3%
Gross Margin	41.3%	+202 bps	+45 bps
Segment Profit (HK\$m)	84.5	+59.8%	-52.6%
Segment Profit Margin	5.6%	+215 bps	-321 bps

At the start of this year, we have renamed our Back-end Equipment Segment to Semiconductor Solutions (“SEMI”) Segment to better reflect the contribution by ASM NEXX for the mid-end deposition tools, as well as the Group’s transition to an integrated hardware and software solutions provider in the semiconductor packaging market.

Demand for traditional tools like Wire and Die Bonders, and tools for Advanced Packaging contributed to the strong booking performance for this quarter. China semiconductor supply chain localization effect, 5G infrastructure and general lighting demand contributed to the increase in bookings for IC/ Discrete and Optoelectronics businesses. On the other hand, we registered relatively weaker than expected orders for CIS tools due to an anticipated softness in smartphone demand brought about by the COVID-19 outbreak.

For Q1 2020, the SEMI Segment contributed to 44.7% of the Group’s revenue. Revenue from Advanced Packaging tools continued to be strong exceeding that of CIS this quarter. Collectively, both AP and CIS contributed close to half of SEMI Segment’s billing.

Gross margin increased by 202 bps YoY and 45 bps QoQ to 41.3%, mainly due to product mix and positive results from our productivity drive in manufacturing activities.

MATERIALS SEGMENT

Materials Segment:	Q1 2020		
		YoY	QoQ
Bookings (US\$m)	88.9	+93.4%	+26.9%
Revenue (US\$m)	51.6	+1.3%	-22.3%
Gross Margin	8.5%	-188 bps	+7 bps
Segment Profit (HK\$m)	15.8	+51.3%	+61.4%
Segment Profit Margin	3.9%	+130 bps	+205 bps

This quarter bookings of US\$88.9 million was a record high and this is also the fifth consecutive QoQ growth that the Materials Segment has registered. Traditionally serving as a leading indicator to the semiconductor market, this trend would have overwhelmingly suggested a recovery of the market, if not for the current uncertainty introduced by the COVID-19 outbreak. For Q1 2020, billing of the Materials Segment declined 22.3% QoQ but expanded slightly 1.3% YoY, respectively to US\$51.6 million. The prolonged plants shutdown in China limited the delivery performance of the segment. This segment contributed to 11.9% of the Group’s revenue.

REVIEW – continued

Gross margin declined by 188 bps YoY due to an increase in cost of precious metals, but improved 7 bps QoQ to 8.5%. Profit for the segment improved by 51.3% YoY and 61.4% QoQ in absence of the Molded Interconnect Substrate business which was discontinued in 2020.

SMT SOLUTIONS SEGMENT

SMT Solutions Segment:	Q1 2020		
		YoY	QoQ
Bookings (US\$m)	270.5	+41.2%	+37.6%
Revenue (US\$m)	188.3	-15.1%	-23.1%
Gross Margin	32.4%	-214 bps	-312 bps
Segment Profit (HK\$m)	126.4	-40.8%	-54.6%
Segment Profit Margin	8.6%	-374 bps	-597 bps

Strong demand for 5G infrastructure and SiP packages contributed to the high booking similar to the level recorded in the first quarter of 2018. Billing of the SMT Solutions Segment amounted to US\$188.3 million, representing a contraction of 15.1% YoY and 23.1% QoQ. SMT Solutions Segment contributed to 43.4% of the Group's revenue. Gross margin declined by 214 bps YoY and 312 bps QoQ to 32.4%, largely due to volume as well as geographical mix where there were a greater portion of customers from China with lower margin sales. Segment profit declined by 40.8% YoY and 54.6% QoQ.

PROSPECTS

The pickup in demand from the Chinese manufacturers to localize their supply chains and the accelerated deployment of 5G infrastructure 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 and Industry 4.0 solutions underpin the Group's confidence to deliver long term sustainable value to our shareholders.

OUTLOOK

Second quarter bookings tend to trend higher than first quarter in the past; however we are of the view that the booking for Q2 2020 would decline double-digit % QoQ due to the adverse impacts caused by the unprecedented COVID-19 pandemic. While we continue to experience strong booking momentum for our Materials Segment in April month to date, demand momentum for traditional tools in the SEMI Segment was not as strong.

In terms of billings, we expect the demand from information technology and data center related applications to continue due to increased telecommuting and home-based working activities as a result of COVID-19 containment measures worldwide. However, customers are generally more cautious than before as evidenced by some push out of deliveries to Q3 this year. While the Group ended Q1 2020 with a high backlog, some orders would take more than one quarter to be fulfilled due to production lead time and revenue recognition policy. In light of the above, we anticipate revenue in Q2 2020 to be in the range of US\$500 million to US\$580 million. We also expect the Group's gross margin to be in the range of 34.5% to 36.5% for Q2 2020.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2020.

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, 21 April 2020