ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2020 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Staying Resilient Amid Economic Uncertainty

1H 2020 Group Profitability Improved Year-on-Year

First Half of 2020

- Group revenue of US$991.6 million improved by 5.9% over the same period last year and decreased by 10.5% compared to the second half of last year
- Group net profit of HK$390.8 million increased 119.2% as compared with the first six-month period of last year; and decreased 12.0% compared to the second six-month period of last year
- Group earnings per share of HK$0.95 for the first half of 2020
- Semiconductor Solutions Segment revenue of US$473.3 million increased 16.6% over the first six-month period of last year and decreased 4.5% compared to the second six-month period of last year
- Materials Segment revenue of US$125.7 million improved 15.6% over the first six-month period of last year and fell by 3.2% compared to the second half of last year
- SMT Solutions Segment revenue of US$392.6 million decreased 6.9% and 18.7% over the first six-month period and the second six-month period of last year, respectively
- 1H new Group order bookings of US$1.14 billion increased 7.4% and 19.0% over the first and second six-month periods of last year, respectively
- Group order backlog was US$799.9 million as of 30 June 2020
- 1H Book-to-Bill Ratio was 1.15

Second Quarter of 2020

- Group revenue of US$557.4 million increased 27.8% and 19.5% over the preceding quarter and the same period last year, respectively
- Group net profit of HK$365.4 million increased 1,341.5% and 421.8% over the preceding quarter and the same period last year, respectively
- Group earnings per share of HK$0.89 for the second quarter 2020
- Group operating profits of HK$495.8 million increased 241.1% and 95.8% over the preceding quarter and the same period last year, respectively
- Semiconductor Solutions Segment revenue of US$279.0 million increased 43.0% and 33.8% over the preceding quarter and over the same period last year, respectively
- Materials Segment revenue of US$74.2 million increased 43.2% and 28.2% over the preceding quarter and over the same period last year, respectively
- SMT Solutions Segment revenue of US$204.2 million increased 8.0% and 2.2% over the preceding quarter and the same period last year, respectively
- Q2 new Group order bookings of US$472.0 million decreased 29.4% and 21.6% over the preceding quarter and over the same period last year, respectively.
- Cash and bank deposits of HK$3.59 billion as of 30 June 2020

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the six months ended 30 June 2020:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved a revenue of **HK$7.70 billion** (US$991.6 million) in the six months ended 30 June 2020, which increased 5.9% as compared with HK$7.27 billion (US$927.3 million) for the first six months of 2019 and decreased 10.5% over the preceding six months. The Group's consolidated profit after taxation for the first six months of 2020 was **HK$390.8 million** as compared with a profit of HK$178.3 million in the corresponding period in 2019 and a profit of HK$444.1 million in the preceding six months. Basic earnings per share (EPS) for the first six months of 2020 amounted to HK$0.95 (first six months of 2019: HK$0.44, second six months of 2019: HK$1.08).

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK$0.70 (2019: HK$1.30) per share, payable to shareholders whose names appear on the Register of Members of the Company on 19 August 2020.

For the purpose of determining shareholders' entitlement to the abovementioned interim dividend, the Register of Members of the Company will be closed from 17 August 2020 to 19 August 2020, both days inclusive, during which period no share transfers can be registered. In order to qualify for the abovementioned interim 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 14 August 2020. The interim dividend will be paid on or about 31 August 2020.

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 30 June		Six months ended 30 June	
		2020	2019	**2020**	2019
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
		HK$'000	HK$'000	**HK$'000**	HK$'000
	Notes				
Revenue	2	**4,321,249**	3,614,774	**7,701,537**	7,274,789
Cost of sales		**(2,800,057)**	(2,322,896)	**(5,047,435)**	(4,742,687)
Gross profit		**1,521,192**	1,291,878	**2,654,102**	2,532,102
Other income		**10,977**	15,106	**66,687**	29,194
Selling and distribution expenses		**(385,526)**	(385,694)	**(753,090)**	(754,115)
General and administrative expenses		**(248,489)**	(232,978)	**(473,408)**	(456,436)
Research and development expenses		**(391,369)**	(419,946)	**(786,460)**	(829,002)
Other gains and losses	5	**(16,956)**	(41,515)	**(28,682)**	(25,307)
Other expenses	6	**(25,978)**	-	**(87,248)**	-
Finance costs	7	**(40,129)**	(41,018)	**(79,659)**	(127,825)
Profit before taxation		**423,722**	185,833	**512,242**	368,611
Income tax expense	8	**(58,290)**	(115,801)	**(121,460)**	(190,342)
Profit for the period		**365,432**	70,032	**390,782**	178,269
Profit (loss) for the period, attributable to:					
Owners of the Company		**365,776**	69,429	**389,372**	179,487
Non-controlling interests		**(344)**	603	**1,410**	(1,218)
		365,432	70,032	**390,782**	178,269
Earnings per share	10				
- Basic		**HK$0.89**	HK$0.17	**HK$0.95**	HK$0.44
- Diluted		**HK$0.89**	HK$0.17	**HK$0.95**	HK$0.44

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the period	**365,432**	70,032	**390,782**	178,269
Other comprehensive income (expense)				
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**73,958**	(69,605)	**(152,306)**	(51,387)
Fair value loss on hedging instruments designated as cash flow hedges, which may be reclassified subsequently to profit or loss	**(24,989)**	-	**(38,654)**	-
Other comprehensive income (expense) for the period	**48,969**	(69,605)	**(190,960)**	(51,387)
Total comprehensive income for the period	**414,401**	427	**199,822**	126,882
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	**412,573**	(674)	**199,015**	128,992
Non-controlling interests	**1,828**	1,101	**807**	(2,110)
	414,401	427	**199,822**	126,882

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2020 (Unaudited) HK$'000**	At 31 December 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**2,716,824**	2,916,415
Right-of-use assets		**1,534,122**	1,632,626
Investment property		**51,960**	53,645
Goodwill		**1,042,359**	1,047,851
Intangible assets		**1,135,693**	1,190,072
Other investments		**99,664**	93,471
Deposits paid for acquisition of property, plant and equipment		**140,012**	92,888
Rental deposits paid		**26,822**	32,888
Deferred tax assets		**450,968**	384,624
Other non-current assets		**18,136**	19,979
		7,216,560	7,464,459
Current assets			
Inventories		**6,655,924**	6,291,276
Trade and other receivables	11	**4,298,223**	4,710,170
Derivative financial instruments		**11,943**	3,482
Income tax recoverable		**79,537**	49,604
Bank deposits with original maturity of more than three months		**9,021**	9,053
Bank balances and cash		**3,580,050**	2,317,543
		14,634,698	13,381,128
Current liabilities			
Trade liabilities and other payables	12	**2,735,517**	2,670,411
Advance payments from customers		**1,258,212**	861,766
Derivative financial instruments		**41,648**	9,295
Lease liabilities		**178,852**	188,633
Provisions		**301,070**	283,696
Income tax payable		**81,976**	97,134
Bank borrowings		**1,192,136**	321,364
		5,789,411	4,432,299
Net current assets		**8,845,287**	8,948,829
		16,061,847	16,413,288

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
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	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Capital and reserves		
Share capital	**40,889**	40,889
Dividend reserve	**286,227**	286,227
Other reserves	**11,247,783**	11,301,200
Equity attributable to owners of the Company	**11,574,899**	11,628,316
Non-controlling interests	**4,183**	3,376
Total equity	**11,579,082**	11,631,692
Non-current liabilities		
Lease liabilities	**1,278,016**	1,362,169
Retirement benefit obligations	**240,289**	260,551
Provisions	**53,423**	53,024
Bank borrowings	**2,501,302**	2,722,118
Deferred tax liabilities	**254,934**	233,788
Other liabilities and accruals	**154,801**	149,946
	4,482,765	4,781,596
	16,061,847	16,413,288

Notes:

1. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, other investments (classified as equity instruments at fair value through other comprehensive income) and certain financial liabilities which are measured at fair value at the end of reporting period.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

In addition, the Group has applied the following accounting policy for hedging instrument recognized during the current interim period.

<u>Hedge accounting</u>

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

1. Principal accounting policies - continued

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

<u>Application of new and amendments to HKFRSs</u>

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and a number of amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

1.1 Impacts of application on Amendments to Hong Kong Accounting Standard ("HKAS") 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

1. Principal accounting polices - continued

1.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"

1.2.1 Accounting policies

Hedge accounting

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

For the purpose of reclassifying the cumulative gain or loss recognized in hedging reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

1.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

2. Segment information

The Group has three (2019: three) operating segments: development, production and sales of (1) semiconductor solutions (formerly knowns as 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 the 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 (2019: 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, finance costs, unallocated other income and other losses, unallocated net foreign exchange loss and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, unallocated adjustment on contingent consideration for an acquisition and other expenses.

2. 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Segment revenue from external customers		
Semiconductor solutions	**3,676,203**	3,154,010
SMT solutions	**3,049,307**	3,276,591
Materials	**976,027**	844,188
	7,701,537	7,274,789
Segment profit		
Semiconductor solutions	**420,202**	119,433
SMT solutions	**284,979**	422,223
Materials	**73,923**	30,249
	779,104	571,905
Interest income	**10,697**	12,144
Finance costs	**(79,659)**	(127,825)
Unallocated other income and other losses	**(5,307)**	954
Unallocated net foreign exchange loss and fair value change of foreign currency forward contracts	**(24,117)**	(40,772)
Unallocated general and administrative expenses	**(81,228)**	(60,728)
Unallocated adjustment on contingent consideration for an acquisition	**-**	12,933
Other expenses	**(87,248)**	-
Profit before taxation	**512,242**	368,611
Segment profit %		
Semiconductor solutions	**11.4%**	3.8%
SMT solutions	**9.3%**	12.9%
Materials	**7.6%**	3.6%

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

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

2. Segment information – continued

Geographical analysis of revenue by location of customers

	Revenue from external customers Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Mainland China	**3,391,398**	2,925,505
Europe	**967,190**	1,329,508
- Germany	**263,477**	477,702
- Hungary	**91,020**	112,550
- Austria	**78,430**	75,836
- Romania	**60,582**	63,363
- France	**49,009**	72,667
- Others	**424,672**	527,390
Taiwan	**660,622**	338,567
Americas	**644,770**	581,724
- United States of America	**434,776**	401,003
- Mexico	**109,001**	89,737
- Canada	**8,901**	45,696
- Others	**92,092**	45,288
Hong Kong	**497,408**	337,029
Malaysia	**391,608**	467,535
Japan	**337,589**	86,050
Korea	**232,161**	208,539
Thailand	**219,004**	211,967
Vietnam	**128,907**	441,036
Philippines	**123,339**	189,052
Singapore	**56,683**	81,884
Others	**50,858**	76,393
	7,701,537	7,274,789

3. Analysis of quarterly segment revenue and results for the three months ended 30 June 2020

	Three months ended		
	30 June 2020	31 March 2020	30 June 2019
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers			
Semiconductor solutions	**2,163,336**	1,512,867	1,616,814
SMT solutions	**1,583,156**	1,466,151	1,549,704
Materials	**574,757**	401,270	448,256
	4,321,249	3,380,288	3,614,774
Segment profit			
Semiconductor solutions	**335,683**	84,519	66,558
SMT solutions	**158,615**	126,364	208,825
Materials	**58,079**	15,844	19,777
	552,377	226,727	295,160
Interest income	**6,412**	4,285	6,261
Finance costs	**(40,129)**	(39,530)	(41,018)
Unallocated other income and other losses	**(2,598)**	(2,709)	954
Unallocated net foreign exchange losses and fair value change of foreign currency forward contracts	**(16,377)**	(7,740)	(47,977)
Unallocated general and administrative expenses	**(49,985)**	(31,243)	(32,304)
Unallocated adjustment on contingent consideration for an acquisition	**-**	-	4,757
Other expenses	**(25,978)**	(61,270)	-
Profit before taxation	**423,722**	88,520	185,833
Segment profit %			
Semiconductor solutions	**15.5%**	5.6%	4.1%
SMT solutions	**10.0%**	8.6%	13.5%
Materials	**10.1%**	3.9%	4.4%

4. Profit before taxation

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**253,624**	248,195
Depreciation for right-of-use assets	**107,903**	107,485
Depreciation for investment property	**652**	677
Amortization for intangible assets	**50,741**	57,584
Government grants (included in other income)	**(48,605)**	(8,759)

5. Other gains and losses

During the period, included in other gains and losses are mainly net gain on disposal/write-off of property, plant and equipment of HK$1.5 million (for the six months ended 30 June 2019: HK$2.6 million), net foreign exchange loss and fair value change of foreign currency forward contracts of HK$24.1 million (for the six months ended 30 June 2019: HK$40.8 million) and adjustment on contingent consideration for an acquisition of HK$nil (for the six months ended 30 June 2019: HK$12.9 million).

6. Other expenses

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Restructuring costs	**2,513**	-
Other expenses (Note)	**84,735**	-
	87,248	-

Note: During the period, certain expenses of HK$84.7 million directly related and attributable to COVID-19 event are classified as a separate line item under other expenses. Of these, HK$52.7 million were attributable to 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$32.0 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.

7. Finance costs

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings	**45,871**	36,276
Interest on convertible bonds	**-**	35,951
Interest on lease liabilities	**26,062**	28,731
Others	**7,726**	26,867
	79,659	127,825

8. Income tax expense

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**12,740**	22,318
PRC Enterprise Income Tax	**38,092**	14,673
Other jurisdictions	**125,568**	154,188
	176,400	191,179
(Over) underprovision in prior years	**(7,367)**	59,116
	169,033	250,295
Deferred tax credit	**(47,573)**	(59,953)
	121,460	190,342

Current tax:

(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 tax rates regime, the first HK$2 million of profits of qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other 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%.

(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 2020 (for the six months ended 30 June 2019: 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 six months ended 30 June 2019: 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.

8. Income tax expense - continued

(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. ATS and EDB are currently in discussion to terminate the PC.

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 IHA incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (for the six months ended 30 June 2019: 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% (for the six months ended 30 June 2019: 15.00%) plus 5.50% (for the six months ended 30 June 2019: 5.50%) 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 14.192% to 17.150% (for the six months ended 30 June 2019: 14.380% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 30.017% and 32.975% (for the six months ended 30 June 2019: between 30.210% and 32.975%).

(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, trade receivables, right-of-use assets and lease liabilities.

The Group received letters from the Hong Kong Inland Revenue Department (the "HKIRD") in prior years 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 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 demand 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. During the year ended 31 December 2019, additional tax reserve certificates amounting to HK$20.3 million were purchased and HK$397.6 million were utilized by offsetting the tax liabilities. As at 31 December 2019, the remaining balance amounted to HK$3.8 million as disclosed in note 11 has been refunded by the HKIRD during the period ended 30 June 2020.

9. Dividends

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Dividend recognized as distribution during the period		
Final dividend for 2019 paid of HK$0.70 (2019: final dividend for 2018 paid of HK$1.40) per share on 408,895,333 (2019: 406,671,333) shares	**286,227**	569,340
Dividend declared after the end of the interim reporting period		
Interim dividend for 2020 of HK$0.70 (2019: HK$1.30) per share on 408,895,533 (2019: 406,671,333) shares	**286,227**	528,673

The dividend declared after 30 June 2020 will be paid to the shareholders of the Company whose names appear on the Register of Members on 19 August 2020.

10. 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	**389,372**	179,487

10. Earnings per share - continued

	Number of shares (in thousands) Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**408,799**	406,554
Effect of dilutive potential shares:		
- New/Initial Employee Share Incentive Scheme	**511**	883
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**409,310**	407,437

11. Trade and other receivables

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Trade receivables (Note)	**3,800,710**	4,324,297
Value added tax recoverable	**240,874**	198,590
Tax reserve certificate recoverable	**-**	3,828
Other receivables, deposits and prepayments	**256,639**	183,455
	4,298,223	4,710,170

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

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Not yet due (Note)	**2,815,049**	2,947,345
Overdue within 30 days	**406,178**	579,536
Overdue within 31 to 60 days	**206,053**	388,540
Overdue within 61 to 90 days	**112,801**	91,654
Overdue over 90 days	**260,629**	317,222
	3,800,710	4,324,297

Note: The amount included notes receivables amounting to HK$700,759,000 (31 December 2019: HK$778,536,000).

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 from issuance, except for certain well established customers, where the terms are extended to 3 to 4 months or more.

12. Trade liabilities and other payables

	At 30 June 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Trade payables	**1,653,698**	1,406,438
Deferred income (Note)	**92,879**	104,991
Accrued salaries and wages	**281,033**	294,719
Other accrued charges	**425,930**	475,557
Payables arising from acquisition of property, plant and equipment	**98,059**	139,421
Contingent consideration for an acquisition	**-**	29,489
Other payables	**183,918**	219,796
	2,735,517	2,670,411

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.

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 2020 (Unaudited) HK$'000	At 31 December 2019 (Audited) HK$'000
Not yet due	**1,165,930**	1,145,346
Overdue within 30 days	**198,770**	165,684
Overdue within 31 to 60 days	**145,311**	53,644
Overdue within 61 to 90 days	**62,181**	22,238
Overdue over 90 days	**81,506**	19,526
	1,653,698	1,406,438

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

REVIEW

Business Overview

Despite a challenging first half of 2020 caused by the COVID-19 pandemic, the Group managed to register a year-on-year ("YoY") growth in revenue and profit. Multiple factors drove the first half revenue performance of the Group. These factors included 5G infrastructure built up, localization of the China semiconductor supply chain and strong position of the Group in Advanced Packaging.

This COVID-19 pandemic has rapidly transformed global workforce norms into a new normal comprising "Work-From-Home" and "Work-In-Office" telecommuting arrangements. The Group has benefited from this phenomenon with YoY increase in revenue recorded from our customers serving the Mobility, Communications and Information Technology segments. Optoelectronics and Power Management segments turned in very strong revenue performance for this first half-year relative to the same period last year. In first half of 2020, the global economy went through a steep economic downturn triggered by the COVID-19 pandemic and the lockdowns instituted in multiple countries. Compared with the same period last year, the effects of these developments dampened shipments to our customers serving the end-markets for Automotive and Industrial, especially in the US and the Eurozone; and for the CMOS Image Sensors ("CIS") market.

In line with the strong global demand for high performance computing devices for data center and 5G related applications, Advanced Packaging delivered excellent results for billing performance in the first half of this year compared to the first half of last year. These bright spots combined to enable the Group to weather the global macro-economic headwinds posed by the convergence of both COVID-19 pandemic and US-China trade tensions.

Group Results

Group	1H 2020			Q2 2020		
		HoH	YoY		QoQ	YoY
Bookings (US$m)	1,140.9	+19.0%	+7.4%	472.0	-29.4%	-21.6%
Revenue (US$m)	991.6	-10.5%	+5.9%	557.4	+27.8%	+19.5%
Gross Margin	34.5%	-29 bps	-34 bps	35.2%	+169 bps	-54 bps
Net Profit (HK$m)	390.8	-12.0%	+119.2%	365.4	+1,341.5%	+421.8%
Net Profit Margin	5.1%	-9 bps	+262 bps	8.5%	+771 bps	+652 bps

1H 2020 Group Review

Despite challenging economic conditions in the first half of 2020, the Group had delivered revenue of US$991.6 million, which was a YoY revenue growth of 5.9% compared to the same period last year. Group bookings for the first half of the year amounted to US$1.14 billion, representing an increase of 7.4% compared to the first half of last year. The book-to-bill ratio for the first six months of this year came in at 1.15. Group net profit was HK$390.8 million, an increase of 119.2% over the same period last year. The Group ended the first half with a Backlog of US$799.9 million.

REVIEW - continued

During the first half of this year, the Group's top five markets consist of China (inclusive of Hong Kong) (50.5%), Europe (12.6%), Taiwan (8.6%), the Americas (8.4%) and Malaysia (5.1%). Our top five markets collectively accounted for 85.2% of the Group's revenue and 80% of the Group's revenue was attributable to 136 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, four were SMT Solutions Segment customers and eight were common for the Semiconductor Solutions and SMT Solutions Segments. The Group's diverse customer base remains one of key competitive advantages that allowed us to withstand this current period of uncertainty well and eventually emerge stronger, relative to the competition.

In light of ongoing economic headwinds, the Group undertook a series of Group-wide initiatives to control cost. These included a Group-wide salary freeze, tight headcount control and close monitoring on discretionary spending. The Group's solid balance sheet provides the foundation to withstand this period of economic uncertainty and beyond.

<u>Q2 2020 Group Review</u>

The Group achieved billings of US$557.4 million during the second quarter, representing increases of 27.8% and 19.5% for quarter-on-quarter ("QoQ") and YoY comparison respectively. This came in slightly above the mid-point of the revenue guidance of US$500 million to US$580 million issued in our 2020 first quarter results announcement. All three business segments had delivered both QoQ and YoY revenue growth for the second quarter. Revenue for both Semiconductor Solutions Segment and Materials Segment in particular registered double-digit percentage growth of 33.8% and 28.2% YoY respectively in the second quarter. The detailed business segment analysis would be discussed in the later parts of the announcement.

Group bookings in the second quarter amounted to US$472.0 million, representing decreases of 29.4% and 21.6% for both QoQ and YoY respectively. The subdued bookings for Semiconductor Solutions and SMT Solutions Segment was a reflection of overall dampened business sentiments over the uncertainties triggered by the COVID-19 pandemic.

The Group delivered close to the mid-point of the Q2 gross margin guidance in its 2020 first quarter results announcement. The gross margin for the Group improved by 169 bps QoQ to 35.2% on the back of QoQ increase in gross margin for both the Semiconductor Solutions Segment and Materials Segment. Group net profit was HK$365.4 million in the second quarter of this year which was an increase of 421.8% over the same period last year.

REVIEW - continued

Semiconductor Solutions Segment Review

Semiconductor Solutions Segment	1H 2020			Q2 2020		
		HoH	YoY		QoQ	YoY
Bookings (US$m)	536.5	+21.7%	+14.2%	226.9	-26.7%	-8.1%
Revenue (US$m)	473.3	-4.5%	+16.6%	279.0	+43.0%	+33.8%
Gross Margin	42.2%	+16 bps	+219 bps	42.9%	+162 bps	+211 bps
Segment Profit (HK$m)	420.2	+17.6%	+251.8%	335.7	+297.2%	+404.3%
Segment Margin	11.4%	+215 bps	+764 bps	15.5%	+993 bps	+1,140 bps

During the second quarter of this year, billings of the Semiconductor Solutions Segment amounted to US$279.0 million, representing increases of 43.0% and 33.8% for QoQ and YoY respectively. The Semiconductor Solutions Segment contributed 50.1% to the Group's billings during the second quarter. Billings of the Semiconductor Solutions Segment for the first six months of this year were US$473.3 million, representing an increase of 16.6% against the same period a year ago and a slight decrease of 4.5% comparing to the preceding six months ("HoH"). The Q2 segment billings strong YoY growth was underpinned by Advanced Packaging, Optoelectronics and IC/Discrete segments. CIS had experienced a YoY decline mainly due to the soft demand for smartphones and also the high base compared to the previous year. The advanced packaging deposition tools for RDL (redistribution layer) and copper build-up applications from NEXX had delivered strong billings growth compared to the same period last year. The on-going market ramp for the High Performance Computing applications continue to drive the strong performance from NEXX. Other than NEXX, the traditional wire bonders and die bonders delivered relatively strong YoY Q2 revenue growth despite the challenging business environment.

New order bookings for the Semiconductor Solutions Segment in the second quarter were US$226.9 million. For the first six months of this year, the Semiconductor Solutions Segment achieved new order bookings of US$536.5 million, representing a significant increase of 14.2% comparing to the same period last year; and a rise of 21.7% comparing to the preceding six months. The Q2 segment bookings saw a QoQ decline of 26.7%. This decline largely attributed to the high base achieved in the Q1 bookings. On the YoY basis, Q2 segment bookings saw a slight decrease of 8.1%, despite the confluence of the pandemic and trade war dampening overall business sentiment. CIS's Q2 bookings were weaker comparing to the same period last year. Advanced Packaging, Optoelectronics and IC/Discrete Q2 relatively stronger bookings helped to offset the weakness in CIS's Q2 bookings. The Q2 bookings for NEXX products remain the brightest spot in this segment with YoY booking growth of around 2x.

The Semiconductor Solutions Segment achieved gross margins of 42.9% and 42.2% during the second quarter and the first half of this year, respectively, which represented improvements of 211 bps and 219 bps YoY, respectively. This segment achieved a segment profit of HK$335.7 million in the second quarter of this year, an increase of 404.3% YoY, and HK$420.2 million for the first half of this year, an increase of 251.8% YoY. The gross margin for first half was driven mainly by higher volume effect, positive results from our productivity drive, product mix and continuous cost reductions in our manufacturing operations.

REVIEW - continued

Materials Segment Review

Materials Segment	1H 2020			Q2 2020		
		HoH	YoY		QoQ	YoY
Bookings (US$m)	167.3	+25.2%	+59.3%	78.4	-11.8%	+32.7%
Revenue (US$m)	125.7	-3.2%	+15.6%	74.2	+43.2%	+28.2%
Gross Margin	13.5%	+409 bps	+250 bps	16.9%	+838 bps	+546 bps
Segment Profit (HK$m)	73.9	+163.4%	+144.4%	58.1	+266.6%	+193.7%
Segment Margin	7.6%	+479 bps	+399 bps	10.1%	+616 bps	+569 bps

This quarter Materials Segment bookings remained at a high level although QoQ bookings declined by 11.8% after 5 consecutive quarters of QoQ booking growth. This is an indicator that the demand for semiconductor devices remain healthy. On a YoY basis, Q2 Materials Segment bookings rose by 32.7%. Over the first six months of this year, bookings of the Materials Segment amounted to US$167.3 million. This was an improvement of 25.2% and 59.3% against the preceding six months period, and the corresponding period of last year respectively. The first half bookings for Materials Segment was a record. In the second quarter, billings of our Materials Segment amounted to US$74.2 million, representing QoQ and YoY improvements of 43.2% and 28.2% respectively. The Materials Segment contributed 13.3% to the Group's billings during the second quarter. Billings of the Materials Segment for the six-month period amounted to US$125.7 million, representing a decrease of 3.2% against the preceding six months and an increase of 15.6% comparing to the same period a year ago.

The Materials Segment achieved gross margins of 16.9% and 13.5% during the second quarter and the first half of this year, respectively, representing improvements of 546 bps and 250 bps YoY respectively. This segment achieved a segment profit of HK$58.1 million in the second quarter, an increase of 193.7% YoY, and HK$73.9 million in the first half of this year, an increase of 144.4% YoY. The gross margin improvement this year compared to last year for Materials Segment was underpinned by higher volume effect and discontinuation of the loss-making Molded Interconnect Substrate business in 2020.

SMT Solutions Segment Review

SMT Solutions Segment	1H 2020			Q2 2020		
		HoH	YoY		QoQ	YoY
Bookings (US$m)	437.1	+13.7%	-10.3%	166.6	-38.4%	-43.7%
Revenue (US$m)	392.6	-18.7%	-6.9%	204.2	+8.0%	+2.2%
Gross Margin	31.8%	-225 bps	-409 bps	31.3%	-101 bps	-616 bps
Segment Profit (HK$m)	285.0	-43.5%	-32.5%	158.6	+25.5%	-24.0%
Segment Margin	9.3%	-410 bps	-354 bps	10.0%	+140 bps	-346 bps

Billings of our SMT Solutions Segment amounted to US$204.2 million in the second quarter, representing increases of 8.0% and 2.2% compared to the first quarter of this year and the same period a year ago, respectively. The SMT Solutions Segment contributed 36.6% to the Group's billings in the second quarter of this year. During the six-month period, billings of our SMT Solutions Segment were US$392.6 million, representing decreases of 18.7% HoH and 6.9% YoY.

REVIEW - continued

New order bookings for the SMT Solutions Segment in the second quarter fell by 38.4% and 43.7% QoQ and YoY, respectively. Bookings in Q2 were at US$166.6 million. New order bookings for the first six-month period of this year amounted to US$437.1 million, which represented an increase of 13.7% as compared to the preceding six months and a decrease of 10.3% as compared to the corresponding period of last year. As expected, bookings for the SMT Solutions Segment decreased from the high level achieved in the preceding quarter. Weak Q2 segment bookings of SMT Solutions Segment were the results of overall market weakness in Automotive and Industrial applications. Nevertheless, this segment benefitted from the 5G related investments in China in the first half of 2020. Another bright spot in this segment is System-in-Package which is expected to deliver sustained and long-term returns to the Group.

The Segment gross margins of 31.3% and 31.8% during the second quarter and first half of this year respectively were impacted by the decline in revenue for Automotive and Industrial applications market and the relatively larger China customer base that we served this year compared to last year.

COVID-19 Situation Update

With the outbreak of COVID-19 in the early part of 2020, the Group formed a Group BCP ("Business Continuity Plan") Committee to steer its global efforts in managing the COVID-19 situation with an emphasis on employee safety and business continuity. The Committee's efforts have ensured that the Group is in compliance with local authorities' guidelines and restrictions while helping at the same time, as a responsible corporate citizen, the communities in which we operate fight the outbreak.

In our principal manufacturing facilities in China, effectively 100% of our employees have returned to work after the lifting of various travel restrictions that had been imposed since the extended Chinese New Year holiday period. We have recovered a big portion of lost capacity in Q1 through productivity improvement and working overtime.

At the start of Q2 2020, the two primary production facilities in Malaysia and Singapore were initially affected. By the middle of May 2020, our Malaysia factory had returned to full production workforce. The Singapore government gradually re-opened business from 2 June 2020 and our workforce in Singapore continued to be on the alert to the evolving situation. In both locations, production capacity has been restored to normal levels. In countries in Europe and the USA where we have operations, there are various types of restrictions and stay-in-shelter orders. We managed to continue our business operations through a combination of flexible work arrangements. Our global production setup has also helped us manage the disruptions without impact on customer orders.

In this quarter, certain expenses of HK$23.4 million directly related and attributable to COVID-19 event are classified as a separate line item under Other Expenses. Of these, HK$5.0 million were attributable to staff, space and depreciation expenses that the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants. Another HK$18.4 million concerned 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

<u>Strategic Value-added Acquisitions</u>

The Group recorded excellent progress from businesses that it acquired over the past few years. ASM NEXX, in particular, has begun to contribute significantly to the Group's revenue with its suite of deposition tools for Advanced Packaging. As a result, the Group is very proud to announce that ASM NEXX has the largest installation of panel plating tools serving our customers for High Performance Computing applications to date.

The Group acquired ASM AMICRA to enter the high-growth market of Silicon Photonics. Since the acquisition two years ago, ASM AMICRA has integrated well and has begun to contribute to the Group. Currently, ASM AMICRA is the market leader in the high-end packaging and assembly equipment serving the Silicon Photonics application. The Group has confidence that ASM AMICRA is in a prime position to capture demands for data center bandwidth growth and next generation 5G infrastructure deployments for data and telecommunication networks.

The Group took a major step towards its vision of "Enabling the Digital World" when it made a strategic investment in a leading modern Manufacturing Execution Systems ("MES") provider, Critical Manufacturing, two years ago. Recently, the Group made another strategic investment, SKT Max, a Shenzhen-based company to further complement Critical Manufacturing. SKT Max is a well-established Manufacturing Execution System solutions company with a strong presence in mainland China. This latest strategic investment of SKT Max has reinforced the Group's position in the China MES market.

<u>Riding On Global Trends</u>

In China, there is unabated momentum from local companies to localize their production amid escalating US-China trade tensions. This trend toward China localization is further supported by regional and central government policies. The Group stands to benefit from this trend with its strong network in China.

The deployment of 5G infrastructure and the conversion from 4G to 5G smartphones will be a multi-country and multi-year growth story. This long-term growth story will lead to significant demand for semiconductor chips. The Group's comprehensive product and solutions portfolio will allow the Group to directly benefit from this worldwide 5G roll-out.

Over the longer-term time horizon, innovations enabled by 5G, such as Augmented and Virtual Reality ("AR/VR"), autonomous vehicles, Internet of Things ("IoT") and Artificial Intelligence ("AI") will be the cornerstone of global social and economic activities. The confluence of these innovations will drive up the demand for semiconductors exponentially. In similar fashion, the Group stands to benefit directly from this global trend.

With the advent of an AI-enabled world globally, the usual Moore's Law - continuous shrinking and packing more and more transistors into chipsets - will be unsustainable. Advanced Packaging and Heterogeneous Integration are the answers to the limitations imposed by Moore's Law. As such, there is a shift of value-add within the semiconductor equipment ecosystem from the front-end to the back-end to overcome limitations.

The Group's well-timed investments in Advanced Packaging will enable it to ride multi-year upside growth in this segment. The Group is already beginning to enjoy the benefits from this segment. Other than ASM NEXX, the Group's Thermo Compression Bonding solutions have the largest installed base and the Group is very confident that it can continue to expand its product portfolio to further capture this multi-year growth opportunity.

REVIEW - continued

Emerging and Disruptive Technologies

Another imperative in the Group's corporate strategy is to identify and seize the opportunity to invest in today's emerging and disruptive technology startups for tomorrow's lead in the marketplace.

The Group made two such strategic investments in the past. In 2019, the Group invested in a 3D laser printing company based in Israel whose cutting-edge technology could potentially disrupt a part of the SMT printing market. One year earlier in 2018, the Group invested in a Silicon Valley startup whose technology allows high speed X-ray inspection of advanced semiconductor packages (up to a 100X faster vs conventional X-ray, using proprietary technology). This is expected to provide the industry's 'production speed' auto X-ray inspection for Advanced Packaging. For both of these strategic investments, the Group is working closely with their management to leverage the Group's resources to accelerate their growth.

These forward-looking investments will accelerate the Group's access to innovation that can be integrated into our product portfolio offerings in the near future. The Group will continue to look out for complementary disruptive and emerging technologies that will support the Group's long-term strategic roadmap.

Reinforcing The Group's Competitive Advantage

The Group continues to invest a significant portion of its annual revenue in Research and Development ("R&D"). These R&D investments are the bedrock for maintaining the Group's competitive advantage over the competition and also strengthening its leadership in a number of markets.

Specifically, the Group has established significant market leadership positions in:

- **CIS** - As camera technology, 3D sensing and multiple cameras continue to be the key selling points for smartphones, the Group 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 the Group's suite of Advanced Packaging tools; and

- **Power Management Semiconductor** – This is used in a wide array of applications for mobile devices, consumer goods, industrial and automotive.

The Group is poised for market leadership position in the following emerging markets by establishing first-mover advantage:

- **Silicon Photonics -** The Group is in the leading position for Silicon Photonics with ASM AMICRA.

- **Industrial Internet of Things -** On top of the investments in Critical Manufacturing and SKT Max, the Group is currently collaborating with SAS, a world renowned advanced analytics company to jointly develop and promote a smart solution that will help semiconductor and electronics manufacturers capture, analyze and utilize high volumes of data and apply sophisticated analytics to analyze risk, optimize processes and predict failure.

- **Mini and Micro LED Solutions -** The Group's continued investments in mass-bonding and other technologies in this segment will ensure that it will be the first in line and continue to lead and capture demand for devices that require mini or micro LED, such as those used in indoor and outdoor displays, smart watches and AR/VR.

REVIEW - continued

- **System-in-Package ("SiP") (SMT Advanced Packaging) -** The Group has identified this area as the fastest growing business within the SMT Solutions Segment. The vast adoption of advanced SiP in Radio Frequency ("RF") modules in smartphones has been the key driver. With 5G and IoT, more wearables and communication devices feature more compact designs with ever more intense miniaturization, giving rise to increased SiP adoption. Today, the Group is the market leader and winning in the marketplace as our customers acknowledge that our product platforms deliver superior results to their operations. The Group is confident that it will continue to benefit from the SiP business as it is supported by long-term global trends.

- **Automated Optical Inspection** – The Group's unwavering focus on this segment will enable the Group to enjoy the potential surge in demand from CIS and Automotive customers for inspection of foreign particles and bonding quality.

- **Hybrid Bonding Solutions** – The Group is pleased to announce that it is collaborating in leading edge technology with a number of industry leaders - one of them being IBM Research - to develop and deliver industry-leading Hybrid Bonding solutions to support complex AI chips. These frontier-focused joint-developments with key technology leaders will ensure that the Group continues to be the leader within the semiconductor ecosystem.

Overall, the Group's enhanced and broadening product portfolio is key to driving not just its business momentum but also its ability to diversify and balance out segmental cyclical risk. The Group is poised to take advantage of all these new developments as it has created an unparalleled products and solutions portfolio through a combination of internal development, investments and acquisitions over the past few years. The Group has a resilient and balanced portfolio of businesses, strong capabilities and leading market position in these fast growing markets.

RESEARCH AND DEVELOPMENT

ASMPT has an unwavering belief in investing in research and development with the objective of remaining at the forefront of technological innovations.

Our strategy reinforces our ability to deliver the best innovative products with differentiated value propositions to our customers. During the past six months, we invested 11.7% of our equipment revenue in R&D. Customers have benefitted from ASMPT's depth and breadth of enabling technologies, strong financial resources and excellent infrastructure support.

Research and development expenses for the year-to-date were HK$786.5 million. To date, the Group has obtained more than 1,400 patents on leading-edge technologies.

As of 30 June 2020, the Group operates 10 research and development centres worldwide, namely, in Taoyuan, Hong Kong and Chengdu (China), Singapore, Regensburg and Munich (Germany), Weymouth (United Kingdom), Beuningen (The Netherlands), Porto (Portugal) and Billerica (the United States), with a total of over 2,000 R&D employees.

LIQUIDITY AND FINANCIAL RESOURCES

Return on sales was 7.1% for the six-month period of this year (1H 2019: 5.9%). Annualized return on capital employed and on invested capital for the past six months were 7.9% and 9.2% respectively (1H 2019: 6.0% and 4.5%, respectively).

Inventory balance as of 30 June 2020 was HK$6.66 billion, as compared with HK$6.29 billion as of 31 December 2019. Our annualized inventory turn was 2.38 times (1H 2019: 2.17 times).

Cash and bank deposits as of 30 June 2020 were HK$3.59 billion, which was HK$1.26 billion higher than 31 December 2019. Capital expenditure during the period amounted to HK$121.6 million (1H 2019: HK$367.1 million), which was fully funded by the depreciation and amortization of HK$308.1 million (1H 2019: HK$308.7 million), excluding the depreciation of right-of-use assets of HK$107.9 million due to the application of HKFRS 16. Day sales outstanding decreased to 89.8 days from 99.0 days in the 1H 2019.

As of 30 June 2020, the current ratio of the Group was 2.53 (31 December 2019: 3.02), with a debt-equity ratio of 31.9% (debts included all bank borrowings and obligations under finance leases) (31 December 2019: 26.2%). The Group had available banking facilities of HK$1.48 billion as at 30 June 2020 (31 December 2019: HK$2.25 billion) 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, US dollars and Euros.

As of 30 June 2020, the Group had bank borrowings of HK$3.69 billion (31 December 2019: HK$3.04 billion). The bank borrowings are mainly repayable by instalments pursuant to the relevant repayment schedules up to 2024 and an insignificant portion is fixed-rate borrowings.

A syndicated loan of HK$2.5 billion was arranged to finance the redemption of the convertible bonds in March 2019, and it is a variable-rate borrowing. The repayment of the syndicated loan will commence from March 2022 to March 2024. The Group uses interest rate swaps to mitigate its exposure of the cash flow changes of the variable-rate syndicated loan by swapping certain portion of the syndicated loan from the variable rate to fixed rates. The Group shareholders' funds were HK$11.58 billion as at 30 June 2020 (31 December 2019: HK$11.63 billion).

As of 30 June 2020, cash holdings of the Group were mainly in US dollars, Euros and Chinese renminbi. The Group's SMT Solutions Business 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 renminbi. On the other hand, disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese renminbi.

Although the Group is committed to paying dividends that are sustainable and gradually increasing over time while maintaining an optimal capital structure, given the current macroeconomic uncertainties created by COVID-19 pandemic, the Board recommends an interim dividend of HK$0.70 per share, which represents a payout ratio of 74%.

HUMAN RESOURCES

As of 30 June 2020, the total headcount for the Group globally was approximately 14,900 employees, which included 1,000 temporary, short-term contracted and outsourced employees. Our employees, being our greatest assets, form 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 contributions to provident fund schemes and medical benefits, the Group is committed to providing regular and extensive training programs to equip our employees to be future-ready. Discretionary bonuses and incentive shares were also granted to eligible employees based on the Group's financial results and individual performance.

The total manpower cost of the Group for the first six months of 2020 was HK$2.26 billion, as compared with HK$2.28 billion during the same period of 2019.

This year, the Board granted a total of 2,258,300 incentives shares to around 1,600 employees. The vesting period of these incentive shares will end on 15 December 2020.

OUTLOOK

The International Monetary Fund ("IMF") had revised downwards the global full year 2020 growth projections from -3.0% to -4.9% during their June 2020 review. For the second half of 2020, the threat of another wave of infection for COVID-19 and the continued fallout from the worsening US-China tension will remain major concerns globally. In light of the uncertainties in the macro environment, we would not provide guidance for bookings. For revenue, we anticipate revenue for Q3 2020 to be in the range of US$480 million to US$560 million which takes into account the subdued demand for Automotive and weakness in the Eurozone demand.

Despite the uncertainties in the second half of 2020, the Group expects continued demand from Chinese manufacturers to localize their supply chains, accelerated deployment of 5G infrastructure and good 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 to help deliver long term sustainable value to our shareholders.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2020.

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 unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 2020, 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 of Hong Kong Limited a total of 330,300 shares in the Company at a total consideration of approximately HK$26.3 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

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. Benjamin Loh Gek Lim and Mr. Petrus Antonius Maria van Bommel as Non-Executive Directors, and Mr. Robin Gerard Ng Cher Tat, Mr. Guenter Walter Lauber and Ms. Patricia Chou Pei-Fen as Executive Directors.

On behalf of the Board
Robin Gerard Ng Cher Tat
Director

Hong Kong, 28 July 2020