ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF UNAUDITED 2018 FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2018

Record Quarterly Booking

- Group revenue of US$555.7 million increased by 15.5% and 2.8% over the same period of last year and the preceding three months, respectively
- Net profit of HK$615.6 million, representing increases of 16.8% and 35.9% over the same period of last year (excluding a non-cash gain of HK$202.1 million arising from the adjustment of the liability component of convertible bonds last year) and the preceding three months, respectively
- Earnings per share was HK$1.52, representing increases of HK$0.21 and HK$0.40 over the same period of last year (excluding a non-cash gain arising from the adjustment of the liability component of convertible bonds last year) and the preceding three months, respectively
- Back-end Equipment revenue was US$282.6 million, representing increases of 10.5% and 12.9% over the same period of last year and the preceding three months, respectively
- Record Materials revenue was US$74.8 million, representing increases of 17.7% and 15.1% over the same period of last year and the preceding three months, respectively
- SMT Solutions revenue was US$198.3 million, representing an increase of 22.6% against the same period of last year but a contraction of 11.9% over the preceding three months
- Record Group quarterly bookings of US$754.2 million, increased by 24.0% and 51.9% over the same period of last year and the preceding three months, respectively
- Cash and bank deposits was HK$3.28 billion at the end of March 2018, as compared with HK$3.06 billion at the end of 2017
- Book to bill ratio was 1.36

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the three months ended 31 March 2018:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved revenue amounting to **HK$4.35 billion** (US$555.7 million) for the three months ended 31 March 2018, which was an increase of 15.5% as compared with HK$3.76 billion (US$484.7 million) for the first quarter of 2017 and an increase of 2.8% as compared with HK$4.23 billion (US$541.5 million) for the preceding quarter. The Group's consolidated profit after taxation for the first quarter of 2018 was **HK$615.6 million** as compared with a profit of HK$729.2 million in the corresponding period in 2017, and a profit of HK$453.0 million in the previous quarter. Basic earnings per share for the first quarter of 2018 amounted to **HK$1.52** (first quarter of 2017: HK$1.80, fourth quarter of 2017: HK$1.12).

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

			Three months ended	
		31 March 2018 (unaudited) HK$'000	31 December 2017 (unaudited) HK$'000	31 March 2017 (unaudited) HK$'000
	Notes			
Revenue	2	**4,345,900**	4,227,229	3,761,237
Cost of sales		**(2,712,984)**	(2,568,194)	(2,259,969)
Gross profit		**1,632,916**	1,659,035	1,501,268
Other income		**20,493**	16,754	16,031
Selling and distribution expenses		**(351,836)**	(432,485)	(333,062)
General and administrative expenses		**(232,896)**	(276,180)	(180,869)
Research and development expenses		**(354,658)**	(381,639)	(317,707)
Other gains and losses		**30,948**	(19,849)	(11,985)
Adjustment of liability component of convertible bonds	3	**-**	-	202,104
Finance costs		**(36,680)**	(36,913)	(39,932)
Profit before taxation		**708,287**	528,723	835,848
Income tax expense		**(92,663)**	(75,747)	(106,669)
Profit for the period		**615,624**	452,976	729,179
Profit for the period attributable to:				
Owners of the Company		**617,780**	457,941	736,024
Non-controlling interests		**(2,156)**	(4,965)	(6,845)
		615,624	452,976	729,179
Earnings per share	4			
- Basic		**HK$1.52**	HK$1.12	HK$1.80
- Diluted		**HK$1.52**	HK$1.12	HK$1.32

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		
	31 March 2018 (unaudited) HK$'000	31 December 2017 (unaudited) HK$'000	31 March 2017 (unaudited) HK$'000
Profit for the period	**615,624**	452,976	729,179
Other comprehensive income			
- exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**230,536**	104,846	70,754
- remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	**-**	3,023	-
Other comprehensive income for the period	**230,536**	107,869	70,754
Total comprehensive income for the period	**846,160**	560,845	799,933
Total comprehensive income for the period attributable to:			
Owners of the Company	**848,324**	565,813	806,781
Non-controlling interests	**(2,164)**	(4,968)	(6,848)
	846,160	560,845	799,933

Notes:

1. Principal Accounting Policies

The financial highlights have been prepared under the historical cost basis except for the derivative financial instruments, which are measured at fair value.

Except as described below, the accounting policies used in the financial highlights for the three months ended 31 March 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

HKFRS 9 "Financial Instruments"

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

Previously under HKAS 39, the Group's unlisted equity investment in a private entity incorporated in Germany was measured at cost less impairment as it is not quoted in an active market. Under HKFRS 9, this equity investment is qualified for designation as measured at fair value through other comprehensive income with cumulative effect on initial application adjusted to investment revaluation reserve at 1 January 2018.

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

In current period, the Group has applied HKFRS 9 and it has no material effect on the amounts reported in the financial highlights as the credit quality of the financial assets of the Group and the fair value of unlisted equity investment do not change significantly during the three months ended 31 March 2018.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 supersedes the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations effective for annual periods beginning on or after 1 January 2018.

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Previously under HKAS 18, the Group recognized revenue from sales of back-end equipment when the goods are delivered and titles have passed to the customer and the significant risks and rewards of ownership of the equipment have been transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from sales of new or highly customized products is generally recognized when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the equipment and obtain substantially all of the remaining benefits of the equipment. This result in revenue from sales of new and highly customized equipment being recognized upon customer acceptance instead of good delivery.

1. Principal Accounting Policies - continued

For contracts of equipment sales that have multiple deliverables (including installation, service-type warranty, training services and right to purchase certain amounts of spare parts for free) which represent separate performance obligations from sale of equipment, revenue is recognized for each of these performance obligations when control over the corresponding goods and services is transferred to the customers. According to HKFRS 15, the transaction price is allocated to the different performance obligations on a relative stand-alone selling price basis. The revenue relating to the undelivered elements of the arrangements is deferred until delivery of these elements.

The Group elected to use the cumulative effect transition method for the adoption of HKFRS 15 with cumulative effect of initial application recognized in the opening balance of equity at 1 January 2018.

The impacts on the change in accounting policies described above ("New HKFRSs") on the results for the current period's financial highlights are as follows:

Impact on profit for the period

	Three months ended 31 March 2018 (unaudited)		
	Results excluded impacts on application of New HKFRSs HK$'000	**Impacts on application of New HKFRSs HK$'000**	**Per Reporting HK$'000**
Revenue	**4,308,949**	**36,951**	**4,345,900**
Cost of sales	**(2,697,646)**	**(15,338)**	**(2,712,984)**
Gross profit	**1,611,303**	**21,613**	**1,632,916**
Other income	**20,493**	**-**	**20,493**
Selling and distribution expenses	**(351,836)**	**-**	**(351,836)**
General and administrative expenses	**(232,896)**	**-**	**(232,896)**
Research and development expenses	**(354,658)**	**-**	**(354,658)**
Other gains and losses	**30,948**	**-**	**30,948**
Finance costs	**(36,680)**	**-**	**(36,680)**
Profit before taxation	**686,674**	**21,613**	**708,287**
Income tax expense	**(92,005)**	**(658)**	**(92,663)**
Profit for the period	**594,669**	**20,955**	**615,624**
Profit for the period attributable to:			
Owners of the Company	**596,825**	**20,955**	**617,780**
Non-controlling interests	**(2,156)**	**-**	**(2,156)**
	594,669	**20,955**	**615,624**
Earnings per share			
- Basic	**HK$1.47**	**HK$0.05**	**HK$1.52**
- Diluted	**HK$1.47**	**HK$0.05**	**HK$1.52**

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 2018 (unaudited) HK$'000	31 December 2017 (unaudited) HK$'000	31 March 2017 (unaudited) HK$'000
Segment revenue from external customers			
Back-end equipment	**2,209,896**	1,957,666	1,999,337
Surface mount technology ("SMT") solutions	**1,550,745**	1,761,112	1,264,523
Materials	**585,259**	508,451	497,377
	4,345,900	4,227,229	3,761,237
Segment profit			
Back-end equipment	**502,141**	422,789	493,916
SMT solutions	**200,644**	180,204	170,428
Materials			
- Profit before accounting for impairment loss recognized in respect of goodwill	**39,246**	30,153	40,001
- Impairment loss recognized in respect of goodwill	**-**	(22,596)	-
Materials segment profit	**39,246**	7,557	40,001
	742,031	610,550	704,345
Interest income	**9,580**	7,791	8,581
Adjustment of liability component of convertible bonds	**-**	-	202,104
Finance costs	**(36,680)**	(36,913)	(39,932)
Unallocated other expenses	**-**	(2,095)	-
Unallocated net foreign exchange gain (loss)	**27,060**	2,859	(14,407)
Unallocated general and administrative expenses	**(33,704)**	(53,469)	(24,843)
Profit before taxation	**708,287**	528,723	835,848
Segment profit %			
Back-end equipment	**22.7%**	21.6%	24.7%
SMT solutions	**12.9%**	10.2%	13.5%
Materials			
- Before accounting for impairment loss recognized in respect of goodwill	**6.7%**	5.9%	8.0%
- After accounting for impairment loss recognized in respect of goodwill	**6.7%**	1.5%	8.0%

3. Adjustment of liability component of convertible bonds

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK$2,400,000,000. The Company would, at the option ("Put Option") of the bond holder, redeem all or some of the convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid. The Put Option lapsed on 28 March 2017. The estimated date of payment in relation to the convertible bonds was revised from 28 March 2017 to 28 March 2019. Accordingly, the carrying amount of the liability component of the convertible bonds was adjusted from HK$2,250,000,000 to HK$2,047,896,000 on 28 March 2017 to reflect the revised estimated cash outflows that was recalculated by computing the present value of estimated future cash flows at its original effective interest rate of 6.786% per annum. The adjustment of the carrying value of the liability component of the convertible bonds amounting to HK$202,104,000 was recognized in profit or loss for the period of three months ended 31 March 2017.

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 2018 (unaudited) HK$'000	31 December 2017 (unaudited) HK$'000	31 March 2017 (unaudited) HK$'000
Earnings for the purpose of calculating basic earnings per share			
(Profit for the period attributable to owners of the Company)	**617,780**	457,941	736,024
Less: Adjustment of liability component of convertible bonds (*Note*)	**-**	-	(202,104)
Add: Interest expense on convertible bonds (*Note*)	**35,902**	-	37,230
Earnings for the purpose of calculating diluted earnings per share	**653,682**	457,941	571,150

	Number of Shares (in thousands)		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**406,376**	407,838	408,203
Effect of dilutive potential shares:			
- Employee Share Incentive Scheme	**431**	2,482	31
- Convertible bonds (*Note*)	**23,852**	-	23,627
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**430,659**	410,320	431,861

4. Earnings per share - continued

Note: In the calculation of the diluted earnings per share for the three months ended 31 March 2017 and 2018, the Company's outstanding convertible bonds are assumed to have been fully converted into ordinary shares and the profit for the period attributable to owners of the Company is adjusted to exclude the items comprising the adjustment of liability component of convertible bonds and the interest expense relating to the convertible bonds.

The computation of diluted earnings per share for the three months ended 31 December 2017 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.

REVIEW

We are excited to report that the Group received record bookings of US$754.2 million during Q1 this year - bookings that were much stronger than what the Group had anticipated at the beginning of the year. Group bookings in Q1 surged 51.9% quarter-on-quarter and grew 24.0% year-on-year, respectively.

Booking of the Back-end Equipment Segment was particularly strong. It surged 82.0% quarter-on-quarter and grew 25.3% year-on-year to a level that exceeded US$400 million. It is the highest booking that the Segment has ever received in the first quarter of a year. All three pillars of our Back-end Equipment Segment, namely the IC/Discrete, Optoelectronics, and CIS registered a strong booking rebound quarter-on-quarter. Booking for active alignment equipment continued to be strong. It reaffirms our belief that customers will continue to add new capacities for the active alignment of dual cameras and 3D sensing for smart phones despite the slowdown in smart phone shipment growth.

The strong booking that we have received for our SMT Solutions Segment took us by surprise. Booking of the SMT Solutions Segment increased strongly by 32.4% quarter-on-quarter and by 40.0% year-on-year, respectively. Booking of the SMT Solutions Segment in Q1 this year attained a new quarterly record. It even surpassed the booking levels of Q2 and Q3 last year in spite of the absence in this quarter of a big order relating to the smart phone upgrade cycle. The European SMT market is strong. The industrial electronics and automotive market continue to drive booking of our SMT Solutions Segment to a high level. We also notice that customers have started to order SMT equipment for the infrastructure build-up of the 5G mobile network.

Booking of our Materials Segment grew 11.4% quarter-on-quarter but contracted 16.7% year-on-year. The year-on-year contraction is expected since booking of the Materials Segment in Q1 last year was recorded at an exceptionally high level.

Our strong booking momentum in Q1 this year reaffirmed our belief that the semiconductor industry has entered into a different phase. For the past ten years, the industry was mainly driven by the development of smartphones. Now the industry is driven by multiple growth drivers, such as IoT, industry automation, robotics, smart factory, power management applications, automotive, smart city, cloud computing, data center, artificial intelligence, big data analysis and smartphone. Together with 5G mobile network, these diversified applications will spur up demand for semiconductor devices and our products.

Q1 Bookings	**YoY**	**QoQ**
Back-end Equipment Segment	+25.3%	+82.0%
Materials Segment	-16.7%	+11.4%
SMT Solutions Segment	+40.0%	+32.4%
Group	+24.0%	+51.9%

Starting from Q1 this year, the Group adopted the new accounting standard in revenue recognition. As a result, Group revenue increased by an additional US$4.7 million in Q1 this year, mainly relating to shipment made in the prior year.

Had there been no change to the accounting standard, Group billing in Q1 this year would amount to US$551.0 million, representing improvements of 14.6% and 1.9% against the same period last year and the preceding quarter, respectively. It is the highest Q1 billing that the Group has ever achieved. In fact, all three business segments of the Group achieved highest Q1 billing in their history. Book to bill ratio for the Group was 1.36.

REVIEW - continued

Backlog as of end of Q1 this year increased to a record level of US$749.3 million, an increase of 39.1% from the end of last year. Gross margin of the Group was 37.6% in Q1 this year, representing reductions of 234bps and 167bps over the same period last year and the preceding quarter, respectively. The reduction was mainly related to product mix. Gross margin is expected to bounce back to a higher level in the coming quarters. Group net profit for Q1 this year amounted to HK$615.6 million. The adoption of the new accounting standard in revenue recognition led to additional Group net profit of HK$20.9 million. Excluding the non-cash gain arising from the adjustment of liability component of convertible bonds that amounted to HK$202.1 million for the three months ended 31 March 2017, Group net profit in Q1 this year improved by 16.8% year-on-year.

Group	**Q1 2018**	
	YoY	**QoQ**
Bookings	+24.0%	+51.9%
Revenue	+15.5%	+2.8%
Gross Margin	-234bps	-167bps
EBIT	+10.6% *	+31.8%
Net Profit	+16.8% *	+35.9%
Net Profit Margin	+15bps *	+345bps

* Excluded the non-cash gain arising from the adjustment of liability component of convertible bonds that amounted to HK$202.1 million for the three months ended 31 March 2017.

Billing of the Back-end Equipment Segment grew 12.9% quarter-on-quarter and 10.5% year-on-year, respectively to US$282.6 million. It is the highest Q1 billing that the Segment has ever achieved. Back-end Equipment Segment contributed to 50.8% of the Group's revenue. During the first quarter of 2018, gross margin of the Back-end Equipment Segment declined by 228bps year-on-year and 459bps quarter-on-quarter, mainly due to product mix. Segment profit improved by 1.7% year-on-year and 18.8% quarter-on-quarter, respectively.

Billing of the Materials Segment grew 15.1% quarter-on-quarter and 17.7% year-on-year, respectively to a new quarterly record amount of US$74.8 million. Materials Segment contributed to 13.5% of the Group's revenue. During the first quarter, gross margin of the Materials Segment declined by 116bps year-on-year but improved by 85bps quarter-on-quarter.

Billing of the SMT Solutions attained a new high for the first quarter of the year. Billing of the SMT Solutions Segment amounted to US$198.3 million, representing a growth of 22.6% year-on-year but a contraction of 11.9% quarter-on-quarter. SMT Solutions Segment contributed to 35.7% of the Group's revenue. During the first quarter, gross margin of SMT Solutions Segment declined by 224bps year-on-year but improved by 89bps quarter-on-quarter. Segment profits improved by 17.7% year-on-year and by 11.3% quarter-on-quarter, respectively.

Q1 2018	**Back-end Equipment Segment**		**Materials Segment**		**SMT Solutions Segment**	
	YoY	**QoQ**	**YoY**	**QoQ**	**YoY**	**QoQ**
Bookings	+25.3%	+82.0%	-16.7%	+11.4%	+40.0%	+32.4%
Revenue	+10.5%	+12.9%	+17.7%	+15.1%	+22.6%	-11.9%
Gross Margin	-228bps	-459bps	-116bps	+85bps	-224bps	+89bps
Segment Profit	+1.7%	+18.8%	-1.9%	+419.3%	+17.7%	+11.3%
Segment Profit Margin	-198bps	+113bps	-134bps	+522bps	-54bps	+271bps

REVIEW – continued

By geographical distribution, China inclusive of Hong Kong (46.5%), Europe (19.0%), Malaysia (8.0%), the Americas (5.4%) and Korea (4.2%) are the top five markets for ASMPT. The Group continues to build its business on a diversified customer base, with the top 5 customers collectively accounting for 21.1% of the Group's revenue in Q1 this year. 80% of the Group's revenue came from 93 customers.

PROSPECTS

With the strong backlog on hand, we expect Group billing in Q2 to be in the range of US$650 million to US$710 million. For Q2, we expect Group booking to achieve a single digit percentage year-on-year growth, following a very strong booking in Q1 this year. Supported by this high turnover, we expect gross margin of the Group to improve over Q1 this year.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2018.

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, 19 April 2018