ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2018 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Record Booking of US$1.48 Billion Received

First Half of 2018

- Record Group revenue of US$1.23 billion, representing increases of 17.5% and 3.0% over the first and second six-month periods of last year, respectively
- Net profit of HK$1.40 billion, representing increases of 9.4% and 6.2% as compared with the first six-month periods of the 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 second six-month periods of the last year, respectively
- Earnings per share of HK$3.46 for the first half of 2018
- Record Back-end equipment revenue of US$645.3 million, representing increases of 14.4% and 20.1% over the first and second six-month periods of last year, respectively
- Record Materials revenue of US$151.0 million, representing increases of 12.1% and 8.7% over the first and second six-month periods of last year, respectively
- SMT Solutions revenue of US$431.0 million, representing an increase of 24.6% over the first six-month period of last year but a contraction of 16.4% over the second six-month periods of last year
- Record new order bookings of US$1.48 billion, representing increases of 16.7% and 38.4% over the first and second six-month periods of last year, respectively
- Record order backlog of US$808.9 million as of 30 June 2018

Second Quarter of 2018

- Record Group revenue of US$671.5 million, representing increases of 21.3% and 19.1% over the preceding quarter and the same period last year, respectively
- Net profit of HK$781.8 million, representing increases of 27.0% and 4.1% over the preceding quarter and the same period last year, respectively
- Earnings per share of HK$1.94 for the second quarter 2018
- Record Group operating profits of HK$1.18 billion, representing increases of 70.1% and 35.5% over the preceding quarter and the same period last year, respectively
- Record Back-end equipment revenue of US$362.7 million, representing increases of 28.8% and 17.6% over the preceding quarter and the same period last year, respectively
- Record Materials revenue of US$76.1 million, representing increases of 2.1% and 7.1% over the preceding quarter and the same period last year, respectively
- SMT Solutions revenue of US$232.7 million, representing increases of 17.8% and 26.3% over the preceding quarter and the same period last year, respectively
- New order bookings of US$727.7 million, representing an increase of 10.1% over the same period last year and a slight contraction of 3.5% over the preceding quarter
- Cash and bank deposits of HK$2.95 billion as of 30 June 2018

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the six months ended 30 June 2018:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved a revenue of **HK$9.62 billion** in the six months ended 30 June 2018, representing an increase of 17.5% as compared with HK$8.19 billion for the first six months of 2017 and an increase of 3.0% over the preceding six months. The Group's consolidated profit after taxation for the first six months of 2018 was **HK$1.40 billion** as compared with a profit of HK$1.48 billion (which included a non-cash gain of HK$202.1 million arising from the adjustment of the liability component of convertible bonds) in the corresponding period in 2017 and a profit of HK$1.32 billion in the preceding six months. Basic earnings per share (EPS) for the first six months of 2018 amounted to HK$3.46 (first six months of 2017: HK$3.66, second six months of 2017: HK$3.24).

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK$1.30 (2017: HK$1.20) per share, payable to shareholders whose names appear on the Register of Members of the Company on 15 August 2018.

The Register of Members will be closed from 13 August 2018 to 15 August 2018, both days inclusive, during which period no share transfers can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant shares certificates, must be lodged with Company's Share Registrars, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00p.m. on 10 August 2018. The interim dividend will be paid on or about 24 August 2018.

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Three months ended 30 June **2018** **(Unaudited)** **HK$'000**	Three months ended 30 June 2017 (Unaudited) HK$'000	Six months ended 30 June **2018** **(Unaudited)** **HK$'000**	Six months ended 30 June 2017 (Unaudited) HK$'000
Revenue	2	**5,270,477**	4,424,164	**9,616,377**	8,185,401
Cost of sales		**(2,991,270)**	(2,609,614)	**(5,704,254)**	(4,869,583)
Gross profit		**2,279,207**	1,814,550	**3,912,123**	3,315,818
Other income		**14,841**	14,716	**35,334**	30,747
Selling and distribution expenses		**(417,579)**	(356,283)	**(769,415)**	(689,345)
General and administrative expenses		**(273,114)**	(232,716)	**(506,010)**	(413,585)
Research and development expenses		**(409,037)**	(355,040)	**(763,695)**	(672,747)
Adjustment of liability component of convertible bonds	5	**-**	-	**-**	202,104
Other gains and losses	6	**(23,499)**	5,996	**7,449**	(5,989)
Finance costs	7	**(44,322)**	(43,769)	**(81,002)**	(83,701)
Profit before taxation		**1,126,497**	847,454	**1,834,784**	1,683,302
Income tax expense	8	**(344,673)**	(96,660)	**(437,336)**	(203,329)
Profit for the period		**781,824**	750,794	**1,397,448**	1,479,973
Profit for the period, attributable to:					
Owners of the Company		**783,758**	756,228	**1,401,538**	1,492,252
Non-controlling interests		**(1,934)**	(5,434)	**(4,090)**	(12,279)
		781,824	750,794	**1,397,448**	1,479,973
Earnings per share	10				
- Basic		**HK$1.94**	HK$1.85	**HK$3.46**	HK$3.66
- Diluted		**HK$1.91**	HK$1.83	**HK$3.42**	HK$3.15

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 June		**Six months ended 30 June**	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the period	**781,824**	750,794	**1,397,448**	1,479,973
Other comprehensive (expense) income				
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**(341,425)**	247,858	**(110,889)**	318,612
Total comprehensive income for the period	**440,399**	998,652	**1,286,559**	1,798,585
Total comprehensive income for the period attributable to:				
Owners of the Company	**442,332**	1,004,091	**1,290,656**	1,810,872
Non-controlling interests	**(1,933)**	(5,439)	**(4,097)**	(12,287)
	440,399	998,652	**1,286,559**	1,798,585

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**2,646,665**	2,426,005
Investment property		**59,119**	60,340
Goodwill		**636,301**	408,696
Intangible assets		**773,949**	542,101
Prepaid lease payments		**130,006**	115,046
Other investment	1(b)	**18,502**	18,502
Pledged bank deposits		**2,135**	2,153
Deposits paid for acquisition of property, plant and equipment		**43,756**	33,263
Rental deposits paid		**38,564**	36,120
Deferred tax assets		**394,268**	361,673
Other non-current assets		**15,427**	24,761
		4,758,692	4,028,660
Current assets			
Inventories		**6,854,354**	5,368,889
Trade and other receivables	11	**6,926,008**	6,058,686
Prepaid lease payments		**3,860**	3,849
Derivative financial instruments		**-**	13,289
Income tax recoverable		**18,264**	66,553
Pledged bank deposits		**3,327**	3,351
Restricted bank balances		**1,781**	-
Bank deposits with original maturity of more than three months		**481,803**	691,018
Bank balances and cash		**2,470,219**	2,365,911
		16,759,616	14,571,546
Current liabilities			
Trade liabilities and other payables	12	**5,280,121**	4,020,855
Derivative financial instruments		**30,363**	234
Obligations under finance leases		**407**	-
Provisions		**302,196**	295,825
Income tax payable		**527,412**	349,999
Convertible bonds	13	**2,171,950**	-
Bank borrowings		**888,136**	117,219
		9,200,585	4,784,132
Net current assets		**7,559,031**	9,787,414
		12,317,723	13,816,074

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Notes	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Capital and reserves			
Share capital		**40,443**	40,908
Dividend reserve		**525,753**	528,175
Other reserves		**11,294,598**	10,808,542
Equity attributable to owners of the Company		**11,860,794**	11,377,625
Non-controlling interests		**(4,246)**	(149)
Total equity		**11,856,548**	11,377,476
Non-current liabilities			
Convertible bonds	13	**-**	2,121,830
Obligations under finance leases		**962**	-
Retirement benefit obligations		**193,162**	183,277
Provisions		**77,525**	50,242
Bank borrowings		**12,805**	-
Deferred tax liabilities		**125,142**	39,996
Other liabilities and accruals		**51,579**	43,253
		461,175	2,438,598
		12,317,723	13,816,074

Notes:

1. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, contingent consideration payable and other investment (classified as financial assets at fair value through other comprehensive income) which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, a number of new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

<u>(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"</u>

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded Hong Kong Accounting Standards ("HKAS") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognizes revenue from the following major sources:

- Sales of back-end equipment
- Sales of surface mount technology equipment
- Sales of materials

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

1. Principal Accounting Policies - continued

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" - continued

Summary of effects arising from initial application of HKFRS 15

The following table summarizes the impacts of transition to HKFRS 15 on retained profits at 1 January 2018.

	Impacts of adopting HKFRS 15 at 1 January 2018 **HK$'000** (Decrease) increase
Retained profits	
Installation of equipment and training services which have not been provided (included in back-end equipment)	(7,203)
Deferral of recognition of sales of new or highly customized products upon customer acceptance (included in back-end equipment)	(35,245)
Tax effects	4,857
Impacts at 1 January 2018	(37,591)

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

Impacts on assets, (liabilities) and (reserve) as at 1 January 2018

	Carrying amount previously reported at 31 December 2017 **HK$'000** **(audited)**	**Impacts of adopting HKFRS 15** **HK$'000**	**Carrying amounts under HKFRS 15 at 1 January 2018*** **HK$'000**
Deferred tax assets	361,673	4,857	366,530
Inventories	5,368,889	20,032	5,388,921
Trade and other receivables	6,058,686	(32,248)	6,026,438
Trade liabilities and other payables	(4,020,855)	(30,232)	(4,051,087)
Retained profits	(9,341,357)	37,591	(9,303,766)

* The amounts in this column are before the adjustments from the application of HKFRS 9.

The following tables summarize the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period and its condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

1. Principal Accounting Policies - continued

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" - continued

Summary of effects arising from initial application of HKFRS 15 – continued

Impacts on condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 June 2018

	Six months ended 30 June 2018 (unaudited)		
	As reported	**Impacts of adopting HKFRS 15**	**Amounts excluding impacts of adopting HKFRS 15**
	HK$'000	**HK$'000**	**HK$'000**
Revenue	9,616,377	30,253	9,646,630
Cost of sales	(5,704,254)	(33,474)	(5,737,728)
Income tax expense	(437,336)	(1,644)	(438,980)
Profit for the period	1,397,448	(4,865)	1,392,583
Total comprehensive income for the period	1,286,559	(4,865)	1,281,694

Impacts on the condensed consolidated statement of financial position as at 30 June 2018

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	**HK$'000**	**HK$'000**
Deferred tax assets	394,268	(6,512)	387,756
Inventories	6,854,354	(53,590)	6,800,764
Trade and other receivables	6,926,008	41,961	6,967,969
Trade liabilities and other payables	(5,280,121)	50,867	(5,229,254)
Retained profits	(10,168,820)	(32,726)	(10,201,546)

(b) Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

1. Principal Accounting Policies – continued

(b) Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

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 the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortized cost mainly comprise of pledged bank deposits, restricted bank balances, bank deposits with original maturity of more than three months and bank balances, and are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$15,483,000 has been recognized against retained profits. The additional loss allowance is charged against the trade receivables.

1. Principal Accounting Policies – continued

(b) Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" – continued

Summary of effects arising from initial application of HKFRS 9 - continued

Impairment under ECL model - continued

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening balances of trade receivables as at 1 January 2018 is as follows:

	Trade receivables
	HK$'000
At 31 December 2017 (Audited) - HKAS 39	5,212,686
Amounts remeasured through opening retained profits	(15,483)
At 1 January 2018 (Unaudited)	5,197,203

Reclassification from available-for-sale ("AFS") equity investment to equity instrument at fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") the fair value changes of its equity investment previously classified as AFS, of which HK$18,502,000 related to unquoted equity investment, i.e. other investment, previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$18,502,000 were reclassified from available-for-sale investment to equity instrument at FVTOCI, of which HK$18,502,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. No fair value adjustment relating to this unquoted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI and FVTOCI reserve as at 1 January 2018 because carrying value under HKAS 39 was materially equal to the fair value as at 1 January 2018.

1. Principal Accounting Policies – continued

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each individual line item.

	31 December 2017 HK$'000 (Audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 January 2018 HK$'000 (Restated)
Deferred tax assets	361,673	4,857	2,795	369,325
Inventories	5,368,889	20,032	-	5,388,921
Trade and other receivables	6,058,686	(32,248)	(15,483)	6,010,955
Trade liabilities and other payables	(4,020,855)	(30,232)	-	(4,051,087)
Retained profits	(9,341,357)	37,591	12,688	(9,291,078)

Further details of the new principal accounting policies are set out in the Company's 2018 Interim Report which will be published on the Company's website in August 2018.

2. Segment information

The Group has three (2017: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology ("SMT") solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Chief Executive Officer, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2017: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment results represent the profit before taxation earned by each segment without allocation of interest income, adjustment of liability component of convertible bonds, finance costs, unallocated other income, unallocated net foreign exchange gain (loss) and unallocated general and administrative 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Segment revenue from external customers		
Back-end equipment	**5,056,555**	4,419,598
SMT solutions	**3,377,027**	2,710,245
Materials	**1,182,795**	1,055,558
	9,616,377	8,185,401
Segment profit		
Back-end equipment	**1,363,996**	1,150,437
SMT solutions	**540,178**	399,476
Materials	**84,116**	74,587
	1,988,290	1,624,500
Interest income	**18,714**	15,921
Adjustment of liability component of convertible bonds	**-**	202,104
Finance costs	**(81,002)**	(83,701)
Unallocated other income	**453**	351
Unallocated net foreign exchange gain (loss)	**1,539**	(8,468)
Unallocated general and administrative expenses	**(93,210)**	(67,405)
Profit before taxation	**1,834,784**	1,683,302
Segment profit %		
Back-end equipment	**27.0%**	26.0%
SMT solutions	**16.0%**	14.7%
Materials	**7.1%**	7.1%

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

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

2. Segment information – continued

Geographical analysis of revenue by location of customers

	Revenue from external customers Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Mainland China	**3,766,277**	3,627,558
Europe	**1,651,744**	1,158,669
- Germany	**584,737**	352,485
- France	**151,223**	75,812
- Hungary	**147,485**	124,621
- Romania	**127,049**	129,384
- Austria	**56,175**	22,613
- Others	**585,075**	453,754
Hong Kong	**863,448**	451,524
Malaysia	**663,988**	613,585
Americas	**604,750**	487,341
- United States of America	**406,787**	286,433
- Mexico	**111,205**	83,148
- Canada	**41,914**	68,391
- Others	**44,844**	49,369
Taiwan	**453,927**	517,592
Korea	**345,174**	376,870
Thailand	**336,327**	371,050
Japan	**280,309**	57,030
Vietnam	**262,859**	67,163
Philippines	**202,680**	288,679
Singapore	**48,598**	111,861
Others	**136,296**	56,479
	9,616,377	8,185,401

3. Analysis of quarterly segment revenue and results for the three months ended 30 June 2018

	Three months ended		
	30 June 2018	31 March 2018	30 June 2017
	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers			
Back-end equipment	**2,846,659**	2,209,896	2,420,261
SMT solutions	**1,826,282**	1,550,745	1,445,722
Materials	**597,536**	585,259	558,181
	5,270,477	4,345,900	4,424,164
Segment profit			
Back-end equipment	**861,855**	502,141	656,521
SMT solutions	**339,534**	200,644	229,048
Materials	**44,870**	39,246	34,586
	1,246,259	742,031	920,155
Interest income	**9,134**	9,580	7,340
Finance costs	**(44,322)**	(36,680)	(43,769)
Unallocated other income	**453**	-	351
Unallocated net foreign exchange (loss) gain	**(25,521)**	27,060	5,939
Unallocated general and administrative expenses	**(59,506)**	(33,704)	(42,562)
Profit before taxation	**1,126,497**	708,287	847,454
Segment profit %			
Back-end equipment	**30.3%**	22.7%	27.1%
SMT solutions	**18.6%**	12.9%	15.8%
Materials	**7.5%**	6.7%	6.2%

4. Depreciation and amortization

During the period, depreciation and amortization amounting to HK$219.9 million (for the six months ended 30 June 2017: HK$204.6 million), HK$0.7 million (for the six months ended 30 June 2017: HK$0.7 million) and HK$26.6 million (for the six months ended 30 June 2017: HK$22.5 million) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

5. Adjustment of liability component of convertible bonds

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK$2,400,000,000. The Company would, at the option ("Put Option") of the bond holder, redeem all or some of the convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid. The Put Option lapsed on 28 March 2017. The estimated date of payment in relation to the convertible bonds 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 during the six months ended 30 June 2017.

6. 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$5.9 million (for the six months ended 30 June 2017: HK$2.7 million) and net foreign exchange gain of HK$1.5 million (for the six months ended 30 June 2017: net foreign exchange loss of HK$8.5 million).

7. Finance costs

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank borrowings	**6,754**	2,516
Interest on convertible bonds (note 13)	**72,435**	72,100
Interest on discounted bills without recourse	**-**	8,685
Others	**1,813**	400
	81,002	83,701

8. Income tax expense

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**28,340**	28,899
PRC Enterprise Income Tax	**74,081**	64,922
Other jurisdictions	**276,848**	141,425
	379,269	235,246
Underprovision in prior years	**87,154**	3,540
	466,423	238,786
Deferred tax credit	**(29,087)**	(35,457)
	437,336	203,329

Current tax:

(a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces 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 corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the period ended 30 June 2018, 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%.

For the period ended 30 June 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

(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 2018 (for the six months ended 30 June 2017: 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. In April 2018, Sichuan Science and Technology Bureau launched ATSE re-assessment for ATSE granted in 2015. ATC passed the re-assessment in May 2018 and is now waiting for confirmation by Sichuan Science and Technology Bureau. According to the tax circular Caishui [2017] No. 79 (for the six months ended 30 June 2017: Caishui [2014] No. 59), ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15%, subject to fulfillment of recognition criteria for ATSE during the relevant period.

8. Income tax expense - continued

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

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

Income of ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (for the six months ended 30 June 2017: 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 2017: 15.00%) plus 5.50% (for the six months ended 30 June 2017: 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 14.800% to 17.015% (for the six months ended 30 June 2017: 12.495% to 17.015%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 30.625% and 32.840% (for the six months ended 30 June 2017: between 28.320% and 32.840%).

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

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

The Group continued to receive letters from the Hong Kong Inland Revenue Department (the "HKIRD") during the six months ended 30 June 2018 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. As at 30 June 2018, the Group purchased tax reserve certificates amounting to HK$381.2 million (31 December 2017: HK$371.1 million), as disclosed in note 11.

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

9. Dividends

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
<u>Dividend recognized as distribution during the period</u>		
Final dividend for 2017 paid of HK$1.30 (2017: final dividend for 2016 paid of HK$1.10) per share on 404,425,433 (2017: 408,243,733) shares	**525,753**	449,068
<u>Dividend declared after the end of the interim reporting period</u>		
Interim dividend for 2018 of HK$1.30 (2017: HK$1.20) per share on 404,425,433 (2017: 408,243,733) shares	**525,753**	489,892

The dividends declared after 30 June 2018 will be paid to the shareholders of the Company whose names appear on the Register of Members on 15 August 2018.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company)	**1,401,538**	1,492,252
Less: Adjustment of liability component of convertible bonds (Note)	**-**	(202,104)
Add: Interest expense on convertible bonds (Note)	**72,435**	72,100
Earnings for the purpose of calculating diluted earnings per share	**1,473,973**	1,362,248

	Number of shares (in thousands) Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**405,484**	408,060
Effect of dilutive potential shares:		
- Employee Share Incentive Scheme	**949**	748
- Convertible bonds (Note)	**23,927**	23,627
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**430,360**	432,435

10. Earnings per share - continued

Note: In the calculation of the diluted earnings per share for the six months ended 30 June 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 interest expense relating to the convertible bonds.

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

11. Trade and other receivables

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Trade receivables (Note)	**5,957,374**	5,212,686
Value added tax recoverable	**386,759**	292,344
Tax reserve certificate recoverable	**381,166**	371,113
Other receivables, deposits and prepayments	**200,709**	182,543
	6,926,008	6,058,686

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

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Not yet due (Note)	**4,630,506**	3,863,809
Overdue within 30 days	**576,400**	449,604
Overdue within 31 to 60 days	**314,079**	389,295
Overdue within 61 to 90 days	**126,050**	113,655
Overdue over 90 days	**310,339**	396,323
	5,957,374	5,212,686

Note: The amount included notes receivables amounting to HK$1,382,970,000 (31 December 2017: HK$777,905,000).

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 of 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 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Trade payables	**2,584,845**	1,579,912
Deferred income	**107,403**	121,450
Accrued salaries and wages	**286,236**	298,040
Other accrued charges	**715,475**	804,375
Advance payments from customers (Note i)	**1,069,390**	642,595
Accrual for tax-related expense (Note ii)	**168,400**	168,400
Payables arising from acquisition of property, plant and equipment	**137,579**	150,395
Payable in relation to repurchase of shares	**-**	25,911
Other payables	**210,793**	229,777
	5,280,121	4,020,855

Notes:

(i) The amounts represent advance payments received from customers in relation to their purchase orders of equipment placed with the Group. At 30 June 2018, the advance payments from customers are contract liabilities and the Group does not expect to refund any of the advance payments. The Group applied the limited retrospective method of transition to HKFRS 15 with comparative figure not restated and hence the advance payments from customers as at 31 December 2017, which was of the same nature, are not restated but are presented in the same line item.

(ii) As detailed in note 8, the Group continued to receive letters from the HKIRD during the period ended 30 June 2018 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax-related expenses and accrual has been provided accordingly.

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

	At 30 June 2018 (Unaudited) HK$'000	At 31 December 2017 (Audited) HK$'000
Not yet due	**1,977,317**	1,168,803
Overdue within 30 days	**298,822**	201,374
Overdue within 31 to 60 days	**206,072**	88,887
Overdue within 61 to 90 days	**76,888**	56,314
Overdue over 90 days	**25,746**	64,534
	2,584,845	1,579,912

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

13. Convertible bonds

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

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK$98.21 per share. The conversion price was adjusted to HK$96.54 per share with effect from 20 May 2015 as a result of the aggregate distributions of HK$2.10 per share made by the Company to the shareholders for the year ended 31 December 2014. The conversion price was further adjusted to HK$95.23 per share with effect from 18 May 2016 as a result of aggregate distributions of HK$1.40 per share made by the Company to the shareholders for the year ended 31 December 2015. In addition, the conversion price was further adjusted to HK$94.33 per share with effect from 17 August 2017 as a result of aggregate distributions of HK$1.90 per share made by the Company to the shareholders for the year ended 31 December 2016 and an interim dividend of HK$1.20 per share made by the Company to the shareholders for the year ended 31 December 2017. Furthermore, the conversion price was further adjusted to HK$93.18 per share with effect from 16 May 2018 as a result of distributions of final dividend of HK$1.30 per share made by the Company to the shareholders for the year ended 31 December 2017. Details of the adjustments to conversion price of the convertible bonds were set out in the Company's announcements dated 13 May 2015, 11 May 2016, 17 August 2017 and 14 May 2018.

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

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

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

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

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

13. Convertible bonds - continued

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

None of the convertible bonds was redeemed or converted during the six months ended 30 June 2018 and 2017.

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

	Liability component	Equity component	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2017 (audited)	2,236,792	250,249	2,487,041
Adjustment of liability component of convertible bonds (note 5)	(202,104)	-	(202,104)
Interest charge during the year	144,039	-	144,039
Interest paid	(45,000)	-	(45,000)
At 31 December 2017 and 1 January 2018 (audited)	**2,133,727**	**250,249**	**2,383,976**
Interest charge during the period (note 7)	**72,435**	**-**	**72,435**
Interest paid	**(22,500)**	**-**	**(22,500)**
At 30 June 2018 (unaudited)	**2,183,662**	**250,249**	**2,433,911**

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

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
	HK$'000	HK$'000
Current liabilities		
Interest payable on convertible bonds (included in trade liabilities and other payables)	**11,712**	11,897
Convertible bonds	**2,171,950**	-
Non-current liabilities		
Convertible bonds	**-**	2,121,830
	2,183,662	2,133,727

REVIEW

The Group continued to set new records during the second quarter and for the first half of 2018. At the Group level, both billings and bookings for the first half of this year hit new six-month records while first quarter bookings and second quarter billings set new quarterly records. The Group also set a new quarterly record in respect of operating profits during the second quarter of this year. At a segment level, the Backend Equipment Segment and the Materials Segment set new billing records while the SMT Solutions Segment set new booking records both in the second quarter and in the first half of this year.

Group revenue for the first six months of this year amounted to US$1.23 billion, representing increases of 17.5% year-on-year and 3.0% against the preceding six-month period, respectively. Furthermore, Group bookings for the first half of this year amounted to US$1.48 billion, representing increases of 16.7% year-on-year and 38.4% over the second half of last year, respectively. Group revenue and bookings for the last twelve months reached record levels, amounting to US$2.42 billion and US$2.55 billion, respectively.

The Backend Equipment Segment and the SMT Solutions Segment were leading the growth. It was notable that the semiconductor and electronics markets continued to be driven by broad-based growth drivers during the past six months. Demand from the automotive and industrial electronics markets were particularly strong, leading to a robust growth in bookings for our IC and discrete Backend Equipment and SMT Solutions products.

	1H 2018 Bookings		**1H 2018 Billings**	
	YoY	**HoH**	**YoY**	**HoH**
Group	+16.7%	+38.4%	+17.5%	+3.0%
Back-end Equipment Segment	+16.9%	+60.9%	+14.4%	+20.1%
Materials Segment	-7.5%	+12.6%	+12.1%	+8.7%
SMT Solutions Segment	+25.3%	+22.9%	+24.6%	-16.4%

Group bookings for the second quarter of this year grew 10.1% year-on-year but declined 3.5% quarter-on-quarter to US$727.7 million. In particular, bookings of the SMT Solutions Segment experienced strong year-on-year growth of 14.1%. The SMT Solutions Segment has now set consecutive booking records in the first two quarters of this year.

Group billings for the second quarter of this year increased 19.1% year-on-year and 21.3% quarter-on-quarter to a new record of US$671.5 million. Both the Backend Equipment Segment and the Materials Segment achieved new quarterly billing records during the second quarter of this year.

	Q2 2018 Bookings		**Q2 2018 Billings**	
	YoY	**QoQ**	**YoY**	**QoQ**
Group	+10.1%	-3.5%	+19.1%	+21.3%
Back-end Equipment Segment	+8.4%	-12.9%	+17.6%	+28.8%
Materials Segment	+3.3%	+5.5%	+7.1%	+2.1%
SMT Solutions Segment	+14.1%	+8.0%	+26.3%	+17.8%

Contributions from the Group's three business segments to the Group's billings during the first half of this year were 52.6%, 12.3% and 35.1%, for the Backend Equipment, Materials and SMT Solutions Segments, respectively. By geographical distribution, China (inclusive of Hong Kong) (48.1%), Europe (17.1%), Malaysia (7.0%), the Americas (6.3%) and Taiwan (4.7%) were the top five markets for ASMPT during the first half of this year. For the first half of this year, our top 5 customers collectively accounted for 19.6% of the Group's revenue. 80% of the Group's revenue was attributable to 136 customers.

REVIEW – continued

The book-to-bill ratio for the first six months of this year was 1.21. The Group's backlog as of the end of the second quarter of this year increased to a new record of US$808.9 million, which was a gain of 8.0% from the previous quarter.

Profitability of the Group has continued to improve. The Group achieved gross margins of 43.2% and 40.7% for the second quarter and the first half of this year, respectively. During the first half of 2018, net profits of the Group improved by 6.2% over the preceding six months and by 9.4% as compared with the same period of last year (excluding a non-cash gain of HK$202.1 million arising from the adjustment of liability component of convertible bonds last year). Group operating profits were at a new peak of HK$1.18 billion in the second quarter this year.

Group	Q2 2018		1H 2018	
	YoY	QoQ	YoY	HoH
Bookings	+10.1%	-3.5%	+16.7%	+38.4%
Revenue	+19.1%	+21.3%	+17.5%	+3.0%
Gross Margin	+223bps	+567bps	+17bps	+68bps
EBIT	+31.4%	+58.0%	+22.5% *	+14.7%
Net Profit	+4.1%	+27.0%	+ 9.4% *	+6.2%
Net Profit Margin	-214bps	+67bps	-108bps *	+44bps

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

Back-end Equipment Segment

The Backend Equipment Segment achieved new billing records both for the second quarter and for the first half of this year.

During the second quarter of this year, billings of the Backend Equipment Segment amounted to US$362.7 million, representing increases of 28.8% over the first quarter of this year and 17.6% over the same period a year ago. Billings of the Backend Equipment Segment for the first six months of this year were US$645.3 million, representing improvements of 14.4% and 20.1% against the same period a year ago and the preceding six months, respectively. The Backend Equipment Segment contributed 54.0% to the Group's billings during the second quarter of this year.

New order bookings of the Backend Equipment Segment in the second quarter of the year increased 8.4% year-on-year but declined 12.9% against the preceding quarter. For the first six months, bookings of the Backend Equipment Segment surged 60.9% against the preceding six months to US$760.9 million. It rose 16.9% as compared with the same period a year ago. During the first half of this year, we received strong orders from the IC/discrete market. This reflects robust demand for semiconductor devices from diversified application markets. Internet-of-things ("IoT"), automotive and industrial electronics were among the key growth drivers.

The optoelectronics market had recovered strongly from the second half of last year. LED general lighting, RGB displays and mini-LED backlighting remained the growth drivers.

REVIEW – continued

In the CIS market, demand for our active alignment equipment, particularly from the supply chain for Tier-2 smart phones continued to be solid during the first six months of this year. We expect that healthy demand for active alignment equipment will be sustainable for many years. Front and rear side 3D sensing, triple cameras and folded lenses are some of the innovations that smart phone suppliers are implementing to differentiate themselves from their peers. Active alignment is one of the key enabling technologies for achieving these innovations.

Customers have recognised ASMPT as the leader in the Advanced Packaging market. With its diversified product portfolio, the Group is involved in most of the Advanced Packaging development programs of its customers. Our ALSI laser dicing and grooving business performed very well this year. Its bookings and billings for the first half of this year had already surpassed the full year bookings and billings of the previous year.

Our thermo-compression bonders ("TCB") are now accepted by more customers. We expect that some of these customers will be able to reach volume production by next year. It seems that High Performance Computing ("HPC") for artificial intelligence ("AI"), finer wafer node technology and heterogeneous integration ("HI") may become drivers for the wider adoption of TCB technology in Advanced Packaging.

Our Nucleus pick-and-place equipment has established a definitive benchmark in the wafer level fan-out ("WLFO") and panel level fan-out ("PLFO") markets. It offers the highest productivity with accuracy of down to 3 microns and the capability of handling 600 mm x 600 mm panels.

Sunbird, which is our pick, test, inspect and packing machine for wafer level packages, was one of the contributors to the strong performance of our Backend Equipment Segment in the first half of this year. With the introduction of 5G smart phones, we expect demand for our Sunbird to increase further.

The Group has further expanded its product portfolio and strengthened its technology leadership in the Backend Equipment market. In April this year, the Group completed its acquisition of the Germany-based leader in Silicon Photonics equipment, AMICRA Microelectronics GmbH. It has been successfully integrated into the Group's Optoelectronics Business Unit in the Backend Equipment Segment.

As the world is entering the Data-Centric Era, it is predicted that more hyper-scale data centres will be needed. Silicon Photonics is the key technology enabling high speed data transfer within and between data centres. Some people believe in the adage that "Data is the new oil". Silicon Photonics is the key technology for developing the new "pipes".

Moreover, in April this year, the Group entered into a definitive agreement with Tokyo Electron Corporation to acquire its subsidiary, TEL NEXX Inc., which is based in the USA. We expect the acquisition to be completed during the second half of this year, after the necessary approvals from all the relevant regulatory authorities have been received. TEL NEXX Inc. is a leader in ECD and PVD technologies, which are the key enabling technologies in 3D packaging and redistribution layers ("RDL") for wafer level fan-in and wafer/panel level fan-out. As semiconductors are moving towards wafer node technology of below 10 nm, we believe that the only viable interconnection technologies today are TCB or wafer/panel level fan-out. Traditional flip chip technology followed by mass reflow and wire bonding are no longer sufficient for meeting such challenging interconnection requirements.

ASMPT has been moving ahead of its peers and has invested in building up a comprehensive technology and product portfolio to serve the exacting needs of the semiconductor industry.

REVIEW – continued

Our Backend Equipment Segment achieved gross margins of 50.8% and 48.0% during the second quarter and the first half of this year, respectively, which represent respective year-on-year improvements of 278bps and 59bps. This segment achieved a segment profit of HK$861.9 million in the second quarter of this year, a new high since 2011. The segment result margin for the second quarter of this year improved by 315 bps to 30.3% on year-on-year basis.

Back-end Equipment Segment	**Q2 2018**		**1H 2018**	
	YoY	**QoQ**	**YoY**	**HoH**
Bookings	+8.4%	-12.9%	+16.9%	+60.9%
Revenue	+17.6%	+28.8%	+14.4%	+20.1%
Gross Margin	+278bps	+649bps	+59bps	-59bps
Segment Profit	+31.3%	+71.6%	+18.6%	+33.9%
Segment Profit Margin	+315bps	+755bps	+94bps	+278bps

<u>Materials Segment</u>

The Materials Segment set new billing records in both the second quarter and the first half of this year.

In the second quarter, the billings of our Materials Segment amounted to US$76.1 million, representing a quarter-on-quarter improvement of 2.1% and a year-on-year improvement of 7.1%. Billings of our Materials Segment for the six-month period amounted to US$151.0 million, representing improvements of 8.7% and 12.1% against the preceding six months and the same period a year ago, respectively. The Materials Segment contributed 11.3% to the Group's billings during the second quarter of this year.

During the first six months of this year, the bookings of our Materials Segment amounted to US$150.9 million. This was an improvement of 12.6% against the preceding six months period, but was a decline of 7.5% from the corresponding period of last year. During the second quarter, new order bookings of our Materials Segment grew by 3.3% year-on-year and 5.5% quarter-on-quarter.

The Materials Segment achieved gross margins of 13.3% and 13.2% during the second quarter and the first half of this year, respectively, representing respective improvement of 14bps and reduction of 35bps over the first quarter of this year and the second half of last year.

Materials Segment	**Q2 2018**		**1H 2018**	
	YoY	**QoQ**	**YoY**	**HoH**
Bookings	+3.3%	+5.5%	-7.5%	+12.6%
Revenue	+7.1%	+2.1%	+12.1%	+8.7%
Gross Margin	+32bps	+14bps	-38bps	-35bps
Segment Profit	+29.7%	+14.3%	+12.8%	+56.3%
Segment Profit Margin	+131bps	+80bps	+5bps	+217bps

<u>SMT Solutions Segment</u>

The SMT Solutions Segment achieved new booking records for both the second quarter and the first half of this year.

REVIEW – continued

The billings of our SMT Solutions Segment amounted to US$232.7 million in the second quarter, representing improvements of 17.8% compared with the first quarter of this year and 26.3% against the same period a year ago. During the six-month period, the billings of our SMT Solutions Segment were US$431.0 million, representing an improvement of 24.6% against the first half of last year and a contraction of 16.4% as compared with the preceding six months, respectively. The SMT Solutions Segment contributed 35.1% to the Group's billings during the first half of this year.

New order bookings for the SMT Solutions Segment for the first six-month period of this year amounted to US$570.1 million, which represented improvements of 22.9% and 25.3% as compared with the preceding six months and with the corresponding period of last year, respectively. New order bookings in the second quarter of this year improved by 8.0% and 14.1% as compared with the first quarter of this year and with the same period a year ago, respectively.

Strong demand from the Automotive and Industrial Electronics markets lifted the bookings of our SMT Solutions Segment to a new high. Whilst the European market has been strong, the Group is also successfully gaining market share in the smart phone supply chain in China. With India's plan to leapfrog to global technology leadership by 2030, we see promising growth opportunities for our SMT Solutions Segment in India.

During the second quarter and the first half of this year, the SMT Solutions Segment achieved gross margins of 41.3% and 39.4% and segment results margin of 18.6% and 16.0%, respectively.

SMT Solutions Segment	**Q2 2018**		**1H 2018**	
	YoY	**QoQ**	**YoY**	**HoH**
Bookings	+14.1%	+8.0%	+25.3%	+22.9%
Revenue	+26.3%	+17.8%	+24.6%	-16.4%
Gross Margin	+115bps	+408bps	-40bps	+117bps
Segment Profit	+48.2%	+69.2%	+35.2%	-21.1%
Segment Profit Margin	+275bps	+565bps	+126bps	-96bps

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 have again adopted the longstanding policy of investing up to 10% of our annual equipment revenue in R&D irrespective of short-term sales fluctuations. Customers have benefited from ASMPT's depth and breadth of enabling technologies, strong financial resources and excellent infrastructure support.

At the commencement of this year, the Group officially opened a new R&D center in Taoyuan, Taiwan to tap on the technical talents available in Taiwan.

Research and development expenses for the year-to-date were HK$763.7 million and the Group has obtained more than 1,000 patents on leading-edge technologies. As of 30 June 2018, the Group is operating eight research and development centers in Taiwan, Hong Kong and Chengdu (China), Singapore, Regensburg and Munich (Germany), Weymouth (United Kingdom) and Beuningen (The Netherlands), hiring more than 1,800 R&D employees.

RESEARCH AND DEVELOPMENT - continued

In January this year, the Group was recognized as one of the Top 100 Global Technology Leaders by Thomson Reuters, which is an acknowledgement of the Group's efforts and achievements in R&D. In fact, during the past three years, the Group also received the Technological Achievement Grand Award of the Hong Kong Award for Industries twice.

LIQUIDITY AND FINANCIAL RESOURCES

Return on sales was 19.7% for the six-month period of this year. Annualized return on capital employed and on invested capital for the past six months were 27.3% and 29.9% respectively.

Our ending inventory as of 30 June 2018 rose to HK$6.85 billion, as compared with HK$5.37 billion as of 31 December 2017, mainly due to an increase in our sales level. Our annualized inventory turn was 3.15 times (first half of 2017: 3.42 times).

Days sales-outstanding increased to 112.1 days from 102.7 days in the second half of 2017. Capital expenditure in the first six months was HK$390.2 million, which was partly funded by depreciation and amortization of HK$249.2 million for the same period. After paying last year's final dividend totaling HK$525.8 million in May, funding capital investment and paying off some bank loans in the first half of 2018, cash and bank deposits as of 30 June 2018 were HK$2.95 billion, which was HK$103.1 million lower than the preceding six months. Our current ratio stands at 1.82 and we have a debt-equity ratio of 26.0% (debt represents all bank borrowings and convertible bonds).

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

During the period from September 2017 to June 2018, the Company repurchased an aggregate of 6,056,400 ordinary shares on The Stock Exchange of Hong Kong Limited for a total consideration of approximately HK$654.1 million (excluding relevant trading costs directly attributable to the share repurchases) at an average purchase price of HK$108.0 per share. All the shares repurchased were subsequently cancelled.

The Group has decided to adopt a sustainable and gradually increasing dividend policy. After considering the near to mid-term cash flow needs of the Group, the Board has recommended an interim dividend of HK$1.30 per share.

HUMAN RESOURCE

As of 30 June 2018, the total headcount for the Group globally was approximately 17,500 employees, which included 2,900 temporary, short-term contract 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.

HUMAN RESOURCE - continued

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 so as 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 human resource costs of the Group for the first six months of 2018 were HK$2.45 billion, as compared with HK$2.18 billion during the same period of 2017. This year, the Board granted a total of 2,623,200 incentives shares to around 1,500 employees, inclusive of the three Executive Directors of the Company. The vesting periods of these incentive shares will end on 14 December 2018 and 16 December 2019 respectively.

PROSPECTS

Unless current market conditions deteriorate drastically during the second half of this year, we expect 2018 to be a year of growth for the Group comparative to 2017. Specifically, we expect Group revenue to set another new record.

With the strong backlog that we have on hand, we anticipate Group billings in the third quarter of this year to be in the range of US$650 million to US$700 million, a level similar to the second quarter preceding it. The billings of our SMT Solutions Segment are expected to achieve quarter-on-quarter improvement, whereas the billings of our Backend Equipment Segment may experience a small decline from the peak that was achieved in the second quarter of this year. The billings of our Materials Segment are expected to be flat as compared with the second quarter of this year.

From a geographical perspective, we expect increased contributions from the Asian market for our SMT Solutions Segment during the third quarter of this year, in line with the typical seasonal pattern for this segment and the momentum we have gained in the China and India markets.

Due to our product and geographical mix, we expect that the gross margin for the Group in the third quarter may decline by about 1.5% to 3%, from the second quarter of this year. In terms of bookings, we expect that the Group's bookings in third quarter would be lower quarter-on-quarter due to typical seasonal effects. However, due to the uncertain global economic and political circumstances, it would be difficult to work out a reliable forecast.

Demand for semiconductor devices and electronic systems have in fact remained healthy, but the trade frictions unfolding between the USA and other countries have resulted in significant uncertainties and concerns for the industry as a whole. Although the trade tariffs have not impacted our business so far, tariffs imposed by any country will unavoidably hurt the spending power of consumers, and ultimately may affect demand for our products.

On a longer-term basis, we believe that we are entering an exciting era and a likely high-growth period for ASMPT. Unlike in the past decade when the industry was primarily driven by smart phones, our industry is now driven by diversified growth drivers such as IoT, automotive, industrial electronics, smart phones, 5G communications, hyper-scale data centres, data analytics, artificial intelligence, augmented/virtual and mixed reality, smart cities and smart factories, just to name a few.

With the acquisitions that we have made and our continuous investment in research and development, we believe that ASMPT is currently in an unparalleled position to capture the upcoming market opportunities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the six months ended 30 June 2018.

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

AUDIT COMMITTEE

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 in conjunction with the Company's external auditor.

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

The Company was authorized at its 2017 Annual General Meeting to repurchase its own ordinary shares not exceeding 4% of the total number of its issued shares as at the date of the resolution being passed.

During the six months ended 30 June 2018, the Company repurchased an aggregate of 2,810,600 ordinary shares for a total consideration of approximately HK$305.5 million (excluding relevant trading costs directly attributable to share repurchase) on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). All the shares repurchased were subsequently cancelled.

The Directors of the Company believe that the repurchases are in the best interests of the Company and its shareholders and that such repurchases would lead to an enhancement of the earnings per share of the Company.

During the six months ended 30 June 2018, an independent professional trustee appointed by the Board under the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on the Stock Exchange a total of 354,600 shares in the Company. The cost of purchase of these shares amounted to HK$40.5 million.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 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, 24 July 2018