# ASM PACIFIC TECHNOLOGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0522)**

## ANNOUNCEMENT OF 2018 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

## ASMPT Achieved Another Record Year in 2018

**2018**

- Record Group revenue of US$2.49 billion, representing an increase of 11.6% over the preceding year
- Net profit of HK$2.21 billion, representing a decrease of 20.9% over the preceding year and a decrease of 14.7% when the non-cash gain of HK$202.1 million in 2017 was excluded
- Earnings per share of HK$5.47
- Record Back-end equipment revenue of US$1.18 billion, representing an increase of 7.3% over 2017
- Record Materials revenue of US$287.8 million, representing an increase of 5.2% over 2017
- Record SMT solutions revenue of US$1.03 billion, representing an increase of 19.1% over 2017
- Record new order bookings of US$2.57 billion, representing an increase of 10.0% over 2017
- Book to bill ratio was 1.03
- Cash and bank deposits of HK$2.25 billion at the end of December 2018

**Second Half of 2018**

- Record half-year Group revenue of US$1.27 billion, representing increases of 6.4% and 3.3% over the second half of 2017 and the first half of 2018, respectively
- Net profit of HK$814.3 million and earnings per share of HK$2.01, representing decreases of 38.1% and 41.7% over the second half of 2017 and the first half of 2018, respectively
- Half-year Back-end equipment revenue of US$536.2 million, representing decreases of 0.2% and 16.9% over the second half of 2017 and the first half of 2018, respectively
- Half-year Materials revenue of US$136.8 million, representing decreases of 1.5% and 9.3% over the second half of 2017 and first half of 2018, respectively
- Record half-year SMT solutions revenue of US$594.3 million, representing increases of 15.3% and 37.9% over the second half of 2017 and the first half of 2018, respectively
- New order bookings of US$1.09 billion, representing an increase of 2.1% as compared with the second half of 2017 and a decrease of 26.3% over the first half of 2018

**Fourth Quarter of 2018**

- Group revenue of US$608.9 million, representing an increase of 12.8% over the fourth quarter of 2017 and a decrease of 7.7% over the preceding quarter
- Net profit of HK$212.2 million and earnings per share of HK$0.52, representing decreases of 53.2% and 64.8% over the fourth quarter of 2017 and the preceding quarter, respectively
- Group bookings decreased by 4.5% and 23.3% as compared with the fourth quarter of 2017 and the preceding quarter respectively
- Backlog amounted to US$654.9 million as of end 2018, an increase of 21.6% compared with a year ago

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of audited results for the year ended 31 December 2018:

## RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved a revenue of **HK$19.55 billion (US$2.49 billion)** in the fiscal year ended 31 December 2018, which was 11.6% higher than the revenue of HK$17.52 billion (US$2.25 billion) in the previous year. The Group's consolidated profit after taxation for the year is **HK$2.21 billion**, which was a decrease of 20.9% from the previous year's net profit of HK$2.80 billion. Excluded the non-cash gain of HK$202.1 million in 2017, the Group's net profit decreased by 14.7%. Basic earnings per share (EPS) for the year amounted to **HK$5.47** (2017: HK$6.90).

## DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

We continue to believe in returning excess cash to our shareholders as dividends. After considering the Group's short term needs and our cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of **HK$1.40** (2017: final dividend of HK$1.30) per share. Together with the interim dividend of HK$1.30 (2017: HK$1.20) per share paid in August 2018, the total dividend payment for year 2018 will be **HK$2.70** (2017: HK$2.50) per share.

The proposed final dividend of **HK$1.40** per share, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 7 May 2019 ("2019 AGM"), is to be payable on Friday, 31 May 2019 to shareholders whose names appear on the Register of Members of the Company on Friday, 17 May 2019.

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

(i) From Thursday, 2 May 2019 to Tuesday, 7 May 2019, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Secretaries Limited not later than 4:00 p.m. on Tuesday, 30 April 2019; and

(ii) From Thursday, 16 May 2019 to Friday, 17 May 2019, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Secretaries Limited not later than 4:00 p.m. on Wednesday, 15 May 2019.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Three months ended 31 Dec | | Year ended 31 Dec | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | *Notes* | | | | |
| Revenue | 2 | **4,767,696** | 4,227,229 | **19,550,590** | 17,522,713 |
| Cost of sales | | **(3,196,406)** | (2,568,194) | **(12,113,813)** | (10,471,339) |
| Gross profit | | **1,571,290** | 1,659,035 | **7,436,777** | 7,051,374 |
| Other income | | **11,648** | 16,754 | **96,126** | 88,410 |
| Selling and distribution expenses | | **(478,461)** | (432,485) | **(1,660,893)** | (1,497,944) |
| General and administrative expenses | | **(251,290)** | (276,180) | **(1,013,345)** | (937,624) |
| Research and development expenses | | **(424,060)** | (381,639) | **(1,610,225)** | (1,436,191) |
| Other gains and losses | 5 | **(1,174)** | (19,849) | **(78,455)** | (33,360) |
| Restructuring costs | 6 | **(19,067)** | - | **(19,067)** | - |
| Adjustment of liability component of convertible bonds | 7 | **-** | - | **-** | 202,104 |
| Finance costs | 8 | **(51,065)** | (36,913) | **(177,762)** | (162,489) |
| Profit before taxation | | **357,821** | 528,723 | **2,973,156** | 3,274,280 |
| Income tax expense | 9 | **(145,606)** | (75,747) | **(761,428)** | (478,578) |
| Profit for the period | | **212,215** | 452,976 | **2,211,728** | 2,795,702 |
| | | | | | |
| Profit (loss) for the period attributable to: | | | | | |
| Owners of the Company | | **211,161** | 457,941 | **2,216,062** | 2,815,473 |
| Non-controlling interests | | **1,054** | (4,965) | **(4,334)** | (19,771) |
| | | **212,215** | 452,976 | **2,211,728** | 2,795,702 |
| Earnings per share | 11 | | | | |
| - Basic | | **HK$0.52** | HK$1.12 | **HK$5.47** | HK$6.90 |
| - Diluted | | **HK$0.52** | HK$1.12 | **HK$5.44** | HK$6.35 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Three months ended 31 Dec | | Year ended 31 Dec | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Profit for the period | **212,215** | 452,976 | **2,211,728** | 2,795,702 |
| Other comprehensive (expense) income | | | | |
| - exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss | **(29,632)** | 104,846 | **(273,227)** | 575,484 |
| - remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss | **3,400** | 3,023 | **3,400** | 3,023 |
| Other comprehensive (expense) income for the period | **(26,232)** | 107,869 | **(269,827)** | 578,507 |
| Total comprehensive income for the period | **185,983** | 560,845 | **1,941,901** | 3,374,209 |
| Total comprehensive income (expense) for the period attributable to: | | | | |
| Owners of the Company | **186,904** | 565,813 | **1,948,645** | 3,393,984 |
| Non-controlling interests | **(921)** | (4,968) | **(6,744)** | (19,775) |
| | **185,983** | 560,845 | **1,941,901** | 3,374,209 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | At 31 December | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **HK$'000** | HK$'000 |
| | *Notes* | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,850,450** | 2,426,005 |
| Investment property | | **56,206** | 60,340 |
| Goodwill | | **1,057,816** | 408,696 |
| Intangible assets | | **1,305,622** | 542,101 |
| Prepaid lease payments | | **126,732** | 115,046 |
| Other investments | | **56,355** | 18,502 |
| Pledged bank deposits | | **-** | 2,153 |
| Deposits paid for acquisition of property, plant and equipment | | **40,672** | 33,263 |
| Rental deposits paid | | **42,033** | 36,120 |
| Deferred tax assets | | **355,210** | 361,673 |
| Other non-current assets | | **16,343** | 24,761 |
| | | **5,907,439** | 4,028,660 |
| **Current assets** | | | |
| Inventories | | **6,541,939** | 5,368,889 |
| Trade and other receivables | 12 | **6,324,901** | 6,058,686 |
| Prepaid lease payments | | **3,863** | 3,849 |
| Derivative financial instruments | | **1,852** | 13,289 |
| Income tax recoverable | | **44,134** | 66,553 |
| Pledged bank deposits | | **2,054** | 3,351 |
| Bank deposits with original maturity of more than three months | | **9,198** | 691,018 |
| Bank balances and cash | | **2,240,022** | 2,365,911 |
| | | **15,167,963** | 14,571,546 |
| **Current liabilities** | | | |
| Trade liabilities and other payables | 13 | **3,165,478** | 3,378,260 |
| Advance payments from customers | | **718,694** | 642,595 |
| Derivative financial instruments | | **32,697** | 234 |
| Obligations under finance leases | | **410** | - |
| Provisions | | **330,933** | 295,825 |
| Income tax payable | | **533,701** | 349,999 |
| Convertible bonds | 14 | **2,224,652** | - |
| Bank borrowings | | **786,021** | 117,219 |
| | | **7,792,586** | 4,784,132 |
| **Net current assets** | | **7,375,377** | 9,787,414 |
| | | **13,282,816** | 13,816,074 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# - continued

| | | At 31 December | |
|---|---|---|---|
| | | **2018** | 2017 |
| | | **HK$'000** | HK$'000 |
| | *Notes* | | |
| **Capital and reserves** | | | |
| Share capital | | **40,667** | 40,908 |
| Dividend reserve | | **569,340** | 528,175 |
| Other reserves | | **11,557,541** | 10,808,542 |
| Equity attributable to owners of the Company | | **12,167,548** | 11,377,625 |
| Non-controlling interests | | **(6,893)** | (149) |
| **Total equity** | | **12,160,655** | 11,377,476 |
| | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | 14 | **-** | 2,121,830 |
| Obligations under finance leases | | **736** | - |
| Retirement benefit obligations | | **171,515** | 183,277 |
| Provisions | | **48,528** | 50,242 |
| Bank borrowings | | **473,740** | - |
| Deferred tax liabilities | | **250,783** | 39,996 |
| Other liabilities and accruals | | **176,859** | 43,253 |
| | | **1,122,161** | 2,438,598 |
| | | **13,282,816** | 13,816,074 |

*Notes:*

## 1. Principal accounting policies

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

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

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

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) - Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts" |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

### 1.1 HKFRS 15 "Revenue from Contracts with Customers"

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

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.

The Group recognizes revenue from the following major sources which arise from contracts with customers:

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

## 1. Principal Accounting Policies - continued

### 1.1 HKFRS 15 "Revenue from Contracts with Customers"- continued

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the Company's 2018 Annual Report.

***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.

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

The following adjustments were made to the amounts recognized in the 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***

| | Notes | **Carrying amounts previously reported at 31 December 2017**<br>**HK$'000** | **Impacts of adopting HKFRS 15**<br>**HK$'000** | **Carrying amounts under HKFRS 15 at 1 January 2018***<br>**HK$'000**<br>**(Restated)** |
|---|---|---|---|---|
| Deferred tax assets | c | 361,673 | 4,857 | 366,530 |
| Inventories | d | 5,368,889 | 20,032 | 5,388,921 |
| Trade and other receivables | e | 6,058,686 | (32,248) | 6,026,438 |
| Advance payments from customers | f | (642,595) | (30,232) | (672,827) |
| 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.

## 1. Principal Accounting Policies - continued

### 1.1 HKFRS 15 "Revenue from Contracts with Customers"- continued

***Summary of effects arising from initial application of HKFRS 15*** - continued

The following tables summarize the impacts of applying HKFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, and its consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

***Impacts on consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018***

| | | Year ended 31 December 2018 | | |
|---|---|---|---|---|
| | **Notes** | **As reported** | **Adjustments** | **Amounts without application of HKFRS 15** |
| | | **HK$'000** | **HK$'000** | **HK$'000** |
| Revenue | a, b | 19,550,590 | 45,594 | 19,596,184 |
| Cost of sales | | (12,113,813) | (29,327) | (12,143,140) |
| Income tax expense | | (761,428) | (6,362) | (767,790) |
| Profit for the year | | 2,211,728 | 9,905 | 2,221,633 |
| Total comprehensive income for the year | | 1,941,901 | 9,905 | 1,951,806 |

***Impacts on the consolidated statement of financial position as at 31 December 2018***

| | **As reported** | **Adjustments** | **Amounts without application of HKFRS 15** |
|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** |
| Deferred tax assets | 355,210 | (11,219) | 343,991 |
| Inventories | 6,541,939 | (49,358) | 6,492,581 |
| Trade and other receivables | 6,324,901 | 51,554 | 6,376,455 |
| Advance payments from customers | (718,694) | 56,519 | (662,175) |
| Retained profits | (10,414,081) | (47,496) | (10,461,577) |

## 1. Principal Accounting Policies - continued

### 1.1 HKFRS 15 "Revenue from Contracts with Customers"- continued

***Summary of effects arising from initial application of HKFRS 15*** - continued

**Notes:**

(a) For contracts of equipment sales that have multiple deliverables (including installation of equipment and training services) which represent separate performance obligations from sales 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. In relation to this change, a decrease of HK$7,203,000 in revenue for the previous year has been adjusted from opening retained profits as at 1 January 2018. The impacts of adopting of HKFRS 15 to revenue in relation to installation of equipment and training services for the year ended 31 December 2018 amounted to HK$3,356,000 (decrease).

(b) 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. Upon the application of HKFRS 15, revenue from sales of new or highly customized products is generally recognized when customer acceptance has been obtained, which is a point in 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 change in accounting policies resulted in deferral of revenue recognition from sales of new and highly customized equipment since it is recognized upon customer acceptance instead of goods delivery. In relation to this change, a decrease of HK$35,245,000 in revenue for the previous year has been adjusted from opening retained profits. The impacts of adopting of HKFRS 15 to revenue related to sales of new or highly customized products for the year ended 31 December 2018 amounted to HK$42,238,000 (decrease).

(c) The net tax effect arising from the initial application of HKFRS 15 with an adjustment to retained profits amounted to HK$4,857,000 (increase).

(d) Due to the deferral of recognition of sales of new or highly customized products upon customer acceptance, a decrease in related cost of sales of HK$20,032,000 has been adjusted to inventories at the date of initial application of HKFRS 15.

(e) At the date of initial application of HKFRS 15, included in trade and other receivables was an amount of HK$32,248,000 relating to trade receivables from (i) installation of equipment and training services yet to be provided and (ii) customer acceptance of the sales of new or highly customized products yet to be obtained. The amount has been adjusted from trade and other receivables.

(f) Due to the deferral of recognition of sales of new or highly customized products upon customer acceptance, HK$30,232,000 has been adjusted to advance payments from customers, i.e. contract liabilities, at the date of initial application of HKFRS 15.

## 1. Principal Accounting Policies - continued

### 1.2 HKFRS 9 "Financial Instruments"

In the current year, 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 under ECL model) 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.

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

Accounting policies resulting from application of HKFRS 9 are disclosed in the Company's 2018 Annual Report.

***Summary of effects arising from initial application of HKFRS 9***

Below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

*(a) 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 OCI the fair value changes of all its equity investment previously classified as available-for-sale. This investment is 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 was reclassified from available-for-sale investment to equity instrument at FVTOCI, of which HK$18,502,000 related to unquoted equity investment 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 the carrying value under HKAS 39 was materially equal to the fair value as at 1 January 2018.

*(b) 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.

1. **Principal Accounting Policies - continued**

**1.2 HKFRS 9 "Financial Instruments" - continued**

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

*(b) Impairment under ECL model – continued*

The Group applies the HKFRS 9 simplified approach to measure ECL using a lifetime ECL for all trade receivables that are within the scope of HKFRS 15. To measure the ECL, trade receivables have been assessed individually and/or grouped based on shared credit risk characteristics.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortized cost, including other receivables, rental deposits paid, pledged bank deposits, bank deposits with original maturity of more than three months and bank balances are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, 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.

The loss allowances for trade receivables and the related deferred tax impact, and the reclassification of AFS equity investment as at 31 December 2017 reconcile to the opening balances of trade receivables, deferred tax assets and other investment at FVTOCI as at 1 January 2018 are as follows:

| | **Trade receivables** | **Deferred tax assets** | **Other investment - AFS** | **Other investment at FVTOCI** |
|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| At 31 December 2017 - HKAS 39 | 5,212,686 | 361,673 | 18,502 | N/A |
| Reclassification | - | - | (18,502) | 18,502 |
| Amounts remeasured through opening retained profits | (15,483) | 2,795 | - | - |
| At 1 January 2018 (restated) | 5,197,203 | 364,468 | - | 18,502 |

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

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each individual line items. Line items that were not affected by the changes have not been included.

## 1. Principal Accounting Policies - continued

### 1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards - continued

| | 31 December 2017 HK$'000 | HKFRS 15 HK$'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 |
| Advance payments from customers | (642,595) | (30,232) | - | (672,827) |
| Retained profits | (9,341,357) | 37,591 | 12,688 | (9,291,078) |

The application of all other amendments to HKFRSs and the interpretation will have no material impact on the Group's consolidated financial statements.

## 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 Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2017: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

## 2. SEGMENT INFORMATION - continued

***Segment revenues and results***

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

| | Three months ended 31 Dec | | Year ended 31 Dec | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment revenue from external customers** | | | | |
| Back-end equipment | **1,828,624** | 1,957,666 | **9,259,791** | 8,629,922 |
| SMT solutions | **2,470,237** | 1,761,112 | **8,035,577** | 6,749,007 |
| Materials | **468,835** | 508,451 | **2,255,222** | 2,143,784 |
| | **4,767,696** | 4,227,229 | **19,550,590** | 17,522,713 |
| **Segment profit** | | | | |
| Back-end equipment | **165,004** | 422,789 | **2,010,791** | 2,168,988 |
| SMT solutions | **298,654** | 180,204 | **1,274,552** | 1,084,235 |
| Materials | **3,333** | 7,557 | **113,745** | 128,392 |
| | **466,991** | 610,550 | **3,399,088** | 3,381,615 |
| Interest income | **4,885** | 7,791 | **31,003** | 31,041 |
| Adjustment of liability component of convertible bonds | **-** | - | **-** | 202,104 |
| Finance costs | **(51,065)** | (36,913) | **(177,762)** | (162,489) |
| Unallocated other expenses | **(1,470)** | (2,095) | **(557)** | (3,023) |
| Unallocated net foreign exchange (losses) gain and fair value change of foreign currency forward contracts | **(2,300)** | 2,859 | **(86,142)** | (13,554) |
| Unallocated general and administrative expenses | **(40,153)** | (53,469) | **(173,407)** | (161,414) |
| Restructuring costs | **(19,067)** | - | **(19,067)** | - |
| Profit before taxation | **357,821** | 528,723 | **2,973,156** | 3,274,280 |
| **Segment profit %** | | | | |
| Back-end equipment | **9.0%** | 21.6% | **21.7%** | 25.1% |
| SMT solutions | **12.1%** | 10.2% | **15.9%** | 16.1% |
| Materials | **0.7%** | 1.5% | **5.0%** | 6.0% |

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

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

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

## 2. SEGMENT INFORMATION – continued

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

| Year ended 31 December 2018 | Back-end equipment HK$'000 | SMT solutions HK$'000 | Materials HK$'000 | Unallocated general and administrative expenses HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Amounts regularly provided to CODM: | | | | | |
| Additions of property, plant and equipment | | | | | |
| - Additions during the year | **536,266** | **149,270** | **142,441** | **-** | **827,977** |
| - Arising from acquisitions of subsidiaries | **121,685** | **3,252** | **-** | **-** | **124,937** |
| Additions of intangible assets | | | | | |
| - Additions during the year | **484** | **14,828** | **-** | **-** | **15,312** |
| - Arising from acquisitions of subsidiaries | **657,664** | **207,034** | **-** | **-** | **864,698** |
| Amounts included in the measure of segment profit: | | | | | |
| Amortization for intangible assets | **55,623** | **53,856** | **-** | **-** | **109,479** |
| Depreciation for property, plant and equipment | **257,908** | **112,828** | **89,967** | **-** | **460,703** |
| Depreciation for investment property | **1,360** | **-** | **-** | **-** | **1,360** |
| Release of prepaid lease payments | **2,685** | **370** | **808** | **-** | **3,863** |
| (Gains) losses on disposal/write-off of property, plant and equipment | **(10,891)** | **94** | **1,643** | **-** | **(9,154)** |
| Research and development expenses | **979,681** | **622,242** | **8,302** | **-** | **1,610,225** |
| Share-based payments | **201,582** | **24,190** | **18,542** | **44,717** | **289,031** |

## 2. SEGMENT INFORMATION – continued

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

| Year ended 31 December 2017 | Back-end equipment HK$'000 | SMT solutions HK$'000 | Materials HK$'000 | Unallocated general and administrative expenses HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Amounts regularly provided to CODM: | | | | | |
| Additions of property, plant and equipment | 379,515 | 140,571 | 102,644 | - | 622,730 |
| Additions of intangible assets | - | 16,146 | - | - | 16,146 |
| Amounts included in the measure of segment profit: | | | | | |
| Amortization for intangible assets | 1,278 | 51,001 | - | - | 52,279 |
| Depreciation for property, plant and equipment | 230,804 | 106,643 | 82,630 | - | 420,077 |
| Depreciation for investment property | 1,425 | - | - | - | 1,425 |
| Release of prepaid lease payments | 869 | 270 | 249 | - | 1,388 |
| Release of land license fee | 2,497 | - | - | - | 2,497 |
| Impairment loss recognized in respect of goodwill | - | - | 22,596 | - | 22,596 |
| Gains on disposal/write-off of property, plant and equipment | (6,588) | (67) | (111) | - | (6,766) |
| Research and development expenses | 832,497 | 593,807 | 9,887 | - | 1,436,191 |
| Share-based payments | 207,743 | 24,811 | 20,303 | 50,366 | 303,223 |

## 2. SEGMENT INFORMATION – continued

### ***Geographical information***

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

| | Non-current assets At 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Mainland China | **1,319,513** | 1,316,008 |
| Singapore | **1,040,409** | 1,047,599 |
| Europe | **864,511** | 398,595 |
| - Germany | **475,830** | 188,039 |
| - Portugal | **188,645** | - |
| - United Kingdom | **173,268** | 184,003 |
| - Others | **26,768** | 26,553 |
| Americas | **446,354** | 8,242 |
| - United States of America ("USA") | **442,573** | 5,208 |
| - Others | **3,781** | 3,034 |
| Malaysia | **433,780** | 276,991 |
| Hong Kong | **312,251** | 175,861 |
| Taiwan | **10,462** | 6,226 |
| Korea | **4,667** | 6,314 |
| Others | **6,111** | 1,800 |
| | **4,438,058** | 3,237,636 |

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

## 2. SEGMENT INFORMATION – continued

***Geographical information – continued***

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

| | Revenue from external customers Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Mainland China | **8,021,217** | 7,468,942 |
| Europe | **3,082,821** | 2,664,991 |
| - Germany | **1,154,340** | 906,062 |
| - Hungary | **265,605** | 281,915 |
| - France | **239,718** | 178,978 |
| - Romania | **179,981** | 192,925 |
| - Poland | **106,512** | 136,396 |
| - Others | **1,136,665** | 968,715 |
| Hong Kong | **1,493,132** | 1,159,685 |
| Malaysia | **1,469,408** | 1,246,681 |
| Americas | **1,409,523** | 1,041,569 |
| - USA | **914,301** | 630,980 |
| - Mexico | **307,607** | 212,108 |
| - Others | **187,615** | 198,481 |
| Taiwan | **855,496** | 1,005,291 |
| Thailand | **739,305** | 709,755 |
| India | **538,257** | 121,630 |
| Korea | **530,725** | 691,421 |
| Vietnam | **463,056** | 232,453 |
| Japan | **375,111** | 441,943 |
| Philippines | **364,868** | 498,675 |
| Singapore | **160,943** | 194,320 |
| Others | **46,728** | 45,357 |
| | **19,550,590** | 17,522,713 |

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

## 3. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS

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

## 3. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS – continued

| | Three months ended | | | |
|---|---|---|---|---|
| | 31 December 2017 | 30 September 2017 | 30 June 2017 | 31 March 2017 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Segment revenue from external customers** | | | | |
| Back-end equipment | 1,957,666 | 2,252,658 | 2,420,261 | 1,999,337 |
| SMT solutions | 1,761,112 | 2,277,650 | 1,445,722 | 1,264,523 |
| Materials | 508,451 | 579,775 | 558,181 | 497,377 |
| | 4,227,229 | 5,110,083 | 4,424,164 | 3,761,237 |
| **Segment profit** | | | | |
| Back-end equipment | 422,789 | 595,762 | 656,521 | 493,916 |
| SMT solutions | 180,204 | 504,555 | 229,048 | 170,428 |
| Materials | | | | |
| - Profit before accounting for impairment loss recognized in respect of goodwill | 30,153 | 46,248 | 34,586 | 40,001 |
| - Impairment loss recognized in respect of goodwill | (22,596) | - | - | - |
| Materials segment profit | 7,557 | 46,248 | 34,586 | 40,001 |
| | 610,550 | 1,146,565 | 920,155 | 704,345 |
| Interest income | 7,791 | 7,329 | 7,340 | 8,581 |
| Adjustment of liability component of convertible bonds | - | - | - | 202,104 |
| Finance costs | (36,913) | (41,875) | (43,769) | (39,932) |
| Unallocated other (expenses) income | (2,095) | (1,279) | 351 | - |
| Unallocated net foreign exchange gains (losses) and fair value change of foreign currency forward contracts | 2,859 | (7,945) | 5,939 | (14,407) |
| Unallocated general and administrative expenses | (53,469) | (40,540) | (42,562) | (24,843) |
| Profit before taxation | 528,723 | 1,062,255 | 847,454 | 835,848 |
| **Segment profit %** | | | | |
| Back-end equipment | 21.6% | 26.4% | 27.1% | 24.7% |
| SMT solutions | 10.2% | 22.2% | 15.8% | 13.5% |
| Materials | 1.5% | 8.0% | 6.2% | 8.0% |

## 4. DEPRECIATION AND AMORTIZATION

During the year, depreciation and amortization amounting to HK$460.7 million (2017: HK$420.1 million), HK$1.4 million (2017: HK$1.4 million) and HK$109.5 million (2017: HK$52.3 million) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

## 5. OTHER GAINS AND LOSSES

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| The gains and losses comprise: | | |
| Net foreign exchange losses | **(21,020)** | (96,271) |
| (Loss) gain on fair value change of foreign currency forward contracts | **(65,122)** | 82,717 |
| Gains on disposal/write-off of property, plant and equipment | **9,154** | 6,766 |
| Impairment loss recognized in respect of goodwill | **-** | (22,596) |
| Others | **(1,467)** | (3,976) |
| | **(78,455)** | (33,360) |

## 6. RESTRUCTURING COSTS

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

## 7. 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 is 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 is 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 year ended 31 December 2017.

## 8. FINANCE COSTS

| | Year ended 31 December 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Interest on convertible bonds (note 14) | **147,822** | 144,039 |
| Interest on bank borrowings | **25,792** | 4,508 |
| Interest on discounted bills without recourse | **-** | 13,590 |
| Others | **4,148** | 352 |
| | **177,762** | 162,489 |

## 9. INCOME TAX EXPENSE

| | Year ended 31 December 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| The charge (credit) comprises: | | |
| Current tax: | | |
| Hong Kong | **76,874** | 53,128 |
| PRC Enterprise Income Tax | **119,420** | 122,184 |
| Other jurisdictions | **481,327** | 364,321 |
| | **677,621** | 539,633 |
| Under(over) provision in prior years: | | |
| Hong Kong | **105,552** | 459 |
| PRC Enterprise Income Tax | **1,853** | 2,194 |
| Other jurisdictions | **(885)** | (9,777) |
| | **106,520** | (7,124) |
| Deferred tax credit | **(22,713)** | (53,931) |
| | **761,428** | 478,578 |

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

For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a single flat rate of 16.5% of the estimated assessable profits.

## 9. INCOME TAX EXPENSE - continued

(b) Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% (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. ATC passed the ATSE re-assessment launched by Sichuan Science and Technology Bureau in May 2018 and obtained a new ATSE Certificate in July 2018. According to the tax circular Caishui [2017] No. 79 (for the year ended 31 December 2017: Caishui [2014] No. 59), ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15%. The renewed ATSE recognition has no expiry date while ATC shall keep proper records for its fulfilment of recognition criteria as an ATSE.

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

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

Income of ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (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% (2017: 15.00%) plus 5.50% (2017: 5.50%) solidarity surcharge thereon for the assessable profit for the year. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 14.380% to 17.150% (2017 14.800% to 17.015%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 30.210% to 32.975% (2017: 30.625% and 32.840%).

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

The Group continued to receive letters from the Hong Kong Inland Revenue Department (the "HKIRD") during the year ended 31 December 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 31 December 2018, the Group purchased tax reserve certificates amounting to HK$381,166,000 (2017: HK$371,113,000), as disclosed in note 12.

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 consolidated financial statements.

## 10. DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Dividend recognized as distribution during the year | | |
| Interim dividend for 2018 paid of HK$1.30 (2017: HK$1.20) per share on 404,425,433 (2017: 408,243,733) shares | **525,753** | 489,892 |
| 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 |
| | **1,051,506** | 938,960 |

Subsequent to the end of the reporting period, a final dividend of HK$1.40 (2017: final dividend of HK$1.30) per share in respect of the year ended 31 December 2018 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

| | Year ended 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Dividend proposed subsequent to the end of the reporting period | | |
| Proposed final dividend for 2018 of HK$1.40 (2017: HK$1.30) per share on 406,671,333 (2017: 406,288,133) shares | **569,340** | 528,175 |

## 11. EARNINGS PER SHARE

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

| | Three months ended 31 Dec | | Year ended 31 Dec | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **(unaudited)** | (unaudited) | **(audited)** | (audited) |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company) | **211,161** | 457,941 | **2,216,062** | 2,815,473 |
| Less: Adjustment of liability component of convertible bonds (Note) | **-** | - | **-** | (202,104) |
| Add: Interest expenses on convertible bonds (Note) | **-** | - | **-** | 144,039 |
| Earnings for the purpose of calculating diluted earnings per share | **211,161** | 457,941 | **2,216,062** | 2,757,408 |

| | Number of shares (in thousand) | | Number of shares (in thousand) | |
|---|---|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **404,580** | 407,838 | **404,900** | 407,964 |
| Effect of dilutive potential shares: | | | | |
| - The Scheme | **2,353** | 2,482 | **2,310** | 2,227 |
| - Convertible bonds (Note) | **-** | - | **-** | 23,712 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **406,933** | 410,320 | **407,210** | 433,903 |

Note: The calculation of diluted earnings per share for the three months ended 31 December 2018 and 2017 and for the year ended 31 December 2018 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.

In the calculation of the diluted earnings per share for the year ended 31 December 2017, the Company’s outstanding convertible bonds are assumed to have been fully converted into ordinary shares and the profit for the year 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.

## 12. TRADE AND OTHER RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Trade receivables (Note) | **5,497,113** | 5,212,686 |
| Value added tax recoverable | **277,198** | 292,344 |
| Tax reserve certificate recoverable | **381,166** | 371,113 |
| Other receivables, deposits and prepayments | **169,424** | 182,543 |
| | **6,324,901** | 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 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Not yet due (Note) | **4,028,545** | 3,863,809 |
| Overdue within 30 days | **658,525** | 449,604 |
| Overdue within 31 to 60 days | **327,609** | 389,295 |
| Overdue within 61 to 90 days | **147,338** | 113,655 |
| Overdue over 90 days | **335,096** | 396,323 |
| | **5,497,113** | 5,212,686 |

Note: The amount included notes receivables amounting to HK$1,250,430,000 (2017: HK$777,905,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Credit policy:

Before accepting any new customer, the Group assesses the potential customer's credit quality and pre-sets maximum credit limit for each customer. Limits and credit quality attributed to customers are reviewed regularly. Payment terms with customers are mainly on credit together with deposits received in advance. Invoices are normally payable within 30 days to 60 days of issuance, except for certain well established customers, where the terms are extended to 3 to 4 months or more.

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

As at 31 December 2017, included in the Group's trade receivables are amounts totalling HK$1,348,877,000 which are past due at the reporting date for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, those trade receivables that are past due but not impaired are generally recoverable. The trade and other receivables that are neither past due nor impaired are of good credit quality because of satisfactory repayment history.

## 13. TRADE LIABILITIES AND OTHER PAYABLES

| | At 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Trade payables | **1,329,947** | 1,579,912 |
| Deferred income (Note i) | **130,944** | 121,450 |
| Accrued salaries and wages | **332,172** | 298,040 |
| Other accrued charges | **758,990** | 804,375 |
| Accrual for tax-related expense (Note ii) | **168,400** | 168,400 |
| Payables arising from acquisition of property, plant and equipment | **151,978** | 150,395 |
| Payable in relation to repurchase of shares | **-** | 25,911 |
| Consideration payable for acquisition | **28,330** | - |
| Contingent consideration for acquisitions | **20,036** | - |
| Other payables | **244,681** | 229,777 |
| | **3,165,478** | 3,378,260 |

Notes:

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

(ii) As detailed in note 9, the Group continued to receive letters from the HKIRD during the year ended 31 December 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 31 December | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Not yet due | **954,686** | 1,168,803 |
| Overdue within 30 days | **194,825** | 201,374 |
| Overdue within 31 to 60 days | **100,480** | 88,887 |
| Overdue within 61 to 90 days | **47,032** | 56,314 |
| Overdue over 90 days | **32,924** | 64,534 |
| | **1,329,947** | 1,579,912 |

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

## 14. 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.

To the extent not converted, 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 7).

## 14. 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 year ended 31 December 2017 and 2018.

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

| | Liability component | Equity component | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2017 | 2,236,792 | 250,249 | 2,487,041 |
| Adjustment of liability component of convertible bonds (note 7) | (202,104) | - | (202,104) |
| Interest charge during the year (note 8) | 144,039 | - | 144,039 |
| Interest paid | (45,000) | - | (45,000) |
| At 31 December 2017 and 1 January 2018 | **2,133,727** | **250,249** | **2,383,976** |
| Interest charge during the year (note 8) | **147,822** | **-** | **147,822** |
| Interest paid | **(45,000)** | **-** | **(45,000)** |
| At 31 December 2018 | **2,236,549** | **250,249** | **2,486,798** |

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

| | **At 31 December** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Current liabilities | | |
| Interest payable on convertible bonds (included in trade liabilities and other payables) | **11,897** | 11,897 |
| Convertible bonds | **2,224,652** | **-** |
| Non-current liabilities | | |
| Convertible bonds | **-** | 2,121,830 |
| | **2,236,549** | 2,133,727 |

## REVIEW

Building on the momentum and achievements of the past two years, 2018 was yet another solid year for the Group. Both Group booking and billing attained new records. Group revenue grew 11.6% year-on-year to US$2.49 billion. Group revenue has in fact consecutively set new records over the past three years.

The strong performance of the Group was largely driven by the strong demand of IC/Discrete equipment, lead frames and SMT solutions. All the three business segments achieved new revenue records in both 2017 and 2018.

The Group also saw good progress from businesses that it had acquired over the past few years as the SMT Solutions Segment and ALSI continued to deliver outstanding results. The SMT Solutions Segment saw its revenue exceeded US$1 billion in 2018, with a record segment profit of HK$1.27 billion. ALSI, the laser business that was acquired in 2014, achieved a new record in revenue in 2018 that was around fivefold that of 2014.

Group bookings grew 10.0% year-on-year to US$2.57 billion in 2018, setting a new record. Book-to-bill ratio was 1.03. Backlog as of end of the year was US$654.9 million, which was a growth of 21.6% year-on-year. Booking of both the Back-end Equipment Segment and the SMT Solutions Segment achieved year-on-year double-digit growth rates with booking of the SMT Solutions Segment having attained a new record. However, booking of the Materials Segment contracted 17.7%.

Booking of the Materials Segment has notably served as a leading indicator of the market in the past. Coupled with the weak demand that the Group has experienced in the last quarter of 2018, it is fair to say that the industry will most likely face challenges in 2019.

On the bright side, Advanced Packaging, boosted by the newly acquired ASM NEXX from Tokyo Electron Limited in the fourth quarter, contributed to over 10% of the revenue of the Back-end Equipment Segment in 2018. The Group's investment in Advanced Packaging over the past few years is bearing fruit. We strongly believe the Group is in a good position to capture future growth opportunities and differentiate itself in the market during the anticipated low cycle of the industry for the year ahead.

Geographically, China (inclusive of Hong Kong), Europe, Malaysia, the Americas and Taiwan were the top five markets for the Group in 2018.

By application market, the Mobility, Communication and IT segment is still the largest application market contributing to the Group's revenue in 2018. However, its contribution had come down, reflecting the slowdown in shipment of smartphones last year and the rising demand for semiconductor devices and electronics modules in other application markets. Automotive segment took the second spot, followed by the Optoelectronics segment. The Industrial electronics segment overtook the Power Management segment to become the fourth largest application market for the Group.

In 2018, net profit for the Group amounted to HK$2.21 billion, representing a reduction of 20.9% over the preceding year. Gross margin of the Group was 38.0% which was a 2.2% (220bps) reduction compared with the previous year. Group operating profit in 2018 amounted to HK$3.15 billion, comparable to the HK$3.18 billion in 2017.

Group revenue for the fourth quarter amounted to US$608.9 million, which was a historical high for the last quarter of any year. This represented a growth of 12.8% against the same period in 2017 but a decline of 7.7% from the preceding quarter. SMT Solutions Segment achieved a new revenue record during the fourth quarter.

## REVIEW - continued

Group booking for the fourth quarter was US$474.3 million, which were reductions of 4.5% year-on-year and 23.3% quarter-on-quarter.

Group revenue for the second half of 2018 amounted to US$1.27 billion, setting a new half-year record. This represented growths of 6.4% and 3.3% against the second half of 2017 and the preceding six months respectively. In fact, this was the sixth consecutive growth of Group revenue on half-year basis. Group booking for the same period amounted to US$1.09 billion, representing a year-on-year growth of 2.1% but a contraction of 26.3% from the first half of 2018.

We continued to build our business on a diversified customer base. In 2018, there was no customer who would account for over 10% of the Group's revenue. Our top five customers combined contributed 18.0% of the Group's revenue and 80% of the Group's revenue came from 166 customers.

The Group's top 20 customers came from different market segments including the world’s leading IDMs (Integrated Device Manufacturers), Tier-1 OSATs (Outsourced Semiconductor Assembly and Test companies), major OSATs in China, key LED (Light Emitting Diode) players, top EMS (Electronics and Manufacturing Services) providers and automotive components suppliers. Among them, 4 were for the SMT Solutions business and 5 were key customers for both the Back-end and SMT Solutions businesses.

Q4 Group gross margin was negatively impacted by a few factors:

- Approximately 1.6% was due to the one-time impairment of inventory due to discontinuation of the Solar business
- Higher revenue contribution from the SMT Solutions segment
- Lower margin for SMT equipment due to penetrations in the China brand smartphones market
- Product mix and PPA (purchase price allocation) expenses due to new acquisitions
- High inventory reductions leading to lower production capacity utilization

| **Group** | FY 2018 | 2H 2018 | | Q4 2018 | |
|---|---|---|---|---|---|
| | YoY | HoH | YoY | QoQ | YoY |
| Bookings | +10.0% | -26.3% | +2.1% | -23.3% | -4.5% |
| Revenue | +11.6% | +3.3% | +6.4% | -7.7% | +12.8% |
| Gross Margin | -220bps | -520bps | -453bps | -485bps | -629bps |
| Net Profits | -14.7%* | -41.7% | -38.1% | -64.8% | -53.2% |

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

## Back-end Equipment Segment

Our Back-end Equipment Segment attained consecutive new billing records in 2017 and 2018.

In 2018, revenue of our Back-end equipment business grew 7.3% to US$1.18 billion, contributing 47.4% of the Group's total revenue. The segment continued to retain the No. 1 position in the global market, a position it first attained in 2002. In fact, over the past 17 years, the Group had lost the No. 1 position only once - in 2012. It further widened the revenue gap with its closest rival.

The IC/discrete market led the growth of our Back-end equipment business in the year. It was the largest market by revenue for the segment and delivered a year-on-year growth of over 24% in 2018. Automotive, IoT (Internet of Things), power management, radio frequency (RF) filters and Advanced Packaging were the drivers of growth in this market segment.

## REVIEW – continued

Revenue of our Optoelectronics business in 2018 was comparable to 2017. It achieved a strong year-on-year growth during the first half of the year but suffered from a weak market demand during the second half. On a full year basis, revenue of our Optoelectronics business increased slightly by 1.7%.

Revenue of our CIS (CMOS Imaging Sensor) business experienced a contraction of 18.0% as compared with 2017 mainly due to customers delaying the delivery of some equipment to 2019. The business performed quite well during the first half of 2018; in fact, it attained a new billing record in the second quarter. However, business was affected by the notable slowdown of smartphone shipment during the second half of the year when we started receiving customers' requests to push back delivery.

On the upside, Artificial intelligence (AI) is widely expected to experience fast growth and will boost the semiconductor industry and the world GDP. Heterogeneous integration (HI) and Advanced Packaging will be the key enablers to boost the performance of the data intensive HPC (high performance computing) chips needed by various AI applications.

The Group's TCB (Thermo-Compression Bonding) solution is now widely adopted by many customers for their development and production of advanced logic chips. We are also working with customers to develop the next-generation production process for HBM (high bandwidth memory).

The Group continued to deliver its Nucleus, a pick and place machine, for wafer level (WLFO) and panel level fan-out (PLFO) applications. Although customers took longer than expected for the development of PLFO process, Nucleus is now enjoying a very high market share. The Group remains confident that PLFO will take off and become a significant growth driver for the company. Customers have also selected Nucleus for other applications such as embedded dies and silicon bridges.

The acquisition of the ASM NEXX business in the fourth quarter further strengthened the Group's position in Advanced Packaging as evident in its significant contribution to the booking of our Back-end Equipment Segment in the last quarter of 2018.

Our laser die separation and grooving business under ALSI has been enjoying good demand. Revenue in 2018 doubled that of 2017 to a new record.

However, the highest growth rate was from Sunbird, the pick, test and pack machine, for wafer level packages. Customers chose it for their SAW (Surface Acoustic Wave) filter production. With the arrival of 5G, demand for filters is expected to grow significantly.

We are confident that our investment in Advanced Packaging over the past few years has put ASMPT well ahead of its peers. Today, ASMPT has become the "Go-to" partner of many of our customers who are developing Advanced Packaging solutions. Advanced Packaging contributed to more than 10% of the revenue of the Back-end Equipment Segment in 2018 even before counting in the one-quarter contribution from the newly acquired ASM NEXX business. We anticipate that contribution from Advanced Packaging will further increase in 2019. Advanced Packaging has become a key growth driver for our Back-end Equipment Segment. It will not only allow the Group to capture the future growth opportunities of the industry but will also help the Group to sail through industry low cycles like the one that has been expected for 2019 by many industry analysts and participants.

The Group continued to enjoy a dominant position in the power management market. Our clip-bonding line is enjoying over 90% market share. In 2018, the Group developed solutions for the silver sintering process, which is required by automotive customers. Orders for the equipment developed for this new solution were already coming in during the year. Power management market is slated to become another pillar of our Back-end Equipment business in time.

## REVIEW – continued

Cameras have become the key differentiator among smartphones, and those equipped with multiple cameras are becoming the trend. All major smartphone makers have adopted the active alignment (AA) process for the cameras they use. Smartphones equipped with AI and multiple cameras will bring to consumers a brand new experience of photography. Every user will indeed become a “professional” photographer.

As such, multi-cameras and 3D sensing will continue to be the growth propellers of our CIS business. The Group has become the partner of choice for customers in CIS and customers who are developing new applications for 3D sensing, AR (Augmented Reality) and VR (Virtual Reality). The Back-end Equipment Segment is also working on solutions for TOF (time of flight) for 3D sensing. Besides the smartphone market, the Group is also working with customers to develop solutions for CIS applications in automotive and security monitoring. Although the Group experienced a revenue contraction for the CIS equipment business in 2018, we remain confident in the long-term growth of this market.

In Optoelectronics, LED general lighting and display panels will continue to drive the growth of our business. The Group continued to work with leading customers to develop solutions for both mini-LED and micro-LED displays.

During the year, the Group also started delivering bonders to our customers for them to produce prototype samples of micro-LED display. The bonder developed by the Group is capable of bonding thousands of micro-LEDs at one go. It not only improves productivity but also offers excellent co-planarity that other bonding solutions cannot match.

In early 2018, the Group acquired AMICRA, a leader in the silicon photonics market, which is based in Regensburg, Germany. We believe that with the arrival of the Data Era there will be strong growth in data centers, which will in turn translate into a surge in demand for silicon photonic chips to enable superfast data transfer within and between data centers.

In the second half of the year, Back-end Equipment revenue amounted to US$536.2 million, representing reductions of 0.2% and 16.9% against the second half of 2017 and the preceding six months, respectively. Back-end Equipment revenue for the fourth quarter last year contracted 6.6% year-on-year and 23.0% quarter-on-quarter to US$233.6 million.

New order bookings for Back-end Equipment in 2018 grew by 11.9% as compared with 2017. New order bookings for the second half grew 5.0% as compared with the second half of 2017 but contracted 34.8% against the first half of 2018. New order bookings for the fourth quarter grew 4.0% year-on-year but contracted 11.9% from the preceding quarter, respectively.

Booking for Advanced Packaging equipment contributed strongly to the segment in the last quarter, especially booking from the newly acquired ASM NEXX business. However, booking for the rest of the Back-end equipment was weak towards year-end. The trade war between the two largest economic powers in the world had probably affected the investment confidence of our customers.

Gross margin of this segment was 45.9% last year, a reduction of 2.1% (208bps) as compared with the previous year. Reduction in gross margin was mainly related to product mix and the slowdown of the Segment’s production run rate during the second half of last year in anticipation of a possible market slowdown in 2019. ASP (average selling price) and costs of our products were relatively stable. Profit of the Back-end Equipment Segment declined 7.3% compared with 2017, partly pulled down by the PPA relating to the two acquisitions (AMICRA and NEXX) made last year. Segment profit margin of the Back-end Equipment was 21.7% in 2018.

## REVIEW – continued

Business generated from the traditional die and wire bonders for the assembly of semiconductor and LED devices contributed to less than 43% of the Back-end Equipment business. The rest was mainly contributed by packaging related equipment, test handlers, clip bonders for power management applications, CIS assembly equipment, and advanced packaging equipment.

In summary, we believe that we have put in place a right product and technology portfolio to take advantage of the continuous technology transition and to capture the new growth opportunities for this segment.

| **Back-end Equipment Segment** | FY 2018 | 2H 2018 | | Q4 2018 | |
|---|---|---|---|---|---|
| | YoY | HoH | YoY | QoQ | YoY |
| Bookings | +11.9% | -34.8% | +5.0% | -11.9% | +4.0% |
| Revenue | +7.3% | -16.9% | -0.2% | -23.0% | -6.6% |
| Gross Margin | -208bps | -463bps | -522bps | -47bps | -583bps |
| Segment Profit | -7.3% | -52.6% | -36.5% | -65.8% | -61.0% |
| Segment Profit Margin | -342bps | -1159bps | -880bps | -1127bps | -1257bps |

## Materials Segment

ASMPT's Materials Segment continued to set new billing records in 2018. Both revenue for the year and revenue for the first half of the year attained new records. Revenue of the segment amounted to US$287.8 million, representing a growth of 5.2% from the previous year. The Materials business contributed 11.5% of the Group's total revenue in 2018.

During the second half of 2018, revenue of our Materials Segment amounted to US$136.8 million, representing reductions of 1.5% and 9.3% against the second half of 2017 and the preceding six months.

After consecutively breaking new records over the first three quarters in 2018, revenue of the segment in the fourth quarter contracted 22.3% and 7.8% from the preceding quarter and the same period a year ago. This contraction reflected that the global semiconductor industry is entering into a period of correction, after the long super cycle over the past few years.

New order bookings for the Materials Segment dipped 17.7% as compared with 2017. New order bookings for the second half of 2018 contracted 30.0% and 37.8% as compared with the same period in 2017 and against the first half of the year, respectively. New order bookings for the Materials Segment in the fourth quarter contracted 39.5% and 26.0% as compared with the same period in 2017 and the preceding quarter, respectively.

Gross margin of the Materials Segment in 2018 was 11.5%, which was a reduction of 2.1% (211bps) year-on-year. It achieved a segment result margin of 5.0%, reflecting a drop of 1.0% (95bps) over 2017.

| **Materials Business Segment** | FY 2018 | 2H 2018 | | Q4 2018 | |
|---|---|---|---|---|---|
| | YoY | HoH | YoY | QoQ | YoY |
| Bookings | -17.7% | -37.8% | -30.0% | -26.0% | -39.5% |
| Revenue | +5.2% | -9.3% | -1.5% | -22.3% | -7.8% |
| Gross Margin | -211bps | -368bps | -402bps | -330bps | -461bps |
| Segment Profit | -11.4% | -64.8% | -44.9% | -87.3% | -55.9% |
| Segment Profit Margin | -95bps | -435bps | -218bps | -365bps | -78bps |

## REVIEW – continued

## SMT Solutions Segment

In 2018, the SMT Solutions Segment did exceptionally well. The segment achieved new records in billing, booking and segment profit consecutively for the past two years. In 2018, its revenue grew 19.1% to US$1.03 billion, contributing 41.1% to the Group's revenue.

During the second half of the year, revenue of our SMT Solutions Segment amounted to US$594.3 million, representing growths of 15.3% and 37.9% compared with the same period in 2017 and the preceding six months, respectively. This is a new record.

In the fourth quarter, the Segment set yet another new revenue record with an amount of US$315.5 million, representing growths of 40.3% and 12.9% against the same period of the previous year and the preceding quarter, respectively.

Booking of the SMT Solutions Segment grew 16.7% in 2018 to US$1.07 billion, attaining yet another new record. Booking of the second half grew 8.4% compared with the same period in 2017 but declined 11.8% against the preceding six months. In the fourth quarter, booking contracted 2.5% year-on-year and 32.9% quarter-on-quarter.

Tremendous demand for automotive electronics, industrial and IoT contributed to the strong growth of the Group's SMT Solutions business. The Group also expanded its market share in the supply chain for China branded smartphones and made a significant penetration into the India market.

Industry 4.0 is yet another huge business growth opportunity for our SMT Solutions Segment as customers are looking for smart factory solutions. In 2017, the Group invested in a software joint venture company, ADAMOS, together with other leading machinery suppliers in Germany to develop Industry 4.0 solutions. Additionally, the Group also made a strategic investment in a MES (Manufacturing Execution System) software company based in Porto, Portugal, to further strengthen our initiative to develop and offer customers hardware and software integrated Industry 4.0 solutions.

The Group decided to discontinue the solar equipment business in the fourth quarter. While the Group had made significant progress in delivering innovative solutions over the years, the solar equipment market has been negatively impacted by several factors including the challenges of obtaining capital financing by customers, the elimination of subsidies for solar plants in China and the cost competitive pressures of the solar market in general. Accordingly, we booked a total of HK$ 93.9 million of charges relating to the solar business, which comprised largely inventory charges, employee severance and fixed assets impairment charges. Going forward, it will have a positive impact on the Segment’s gross margin and profitability.

Gross margin of the SMT Solutions Segment in 2018 was 36.5%, which was a reduction of 2.4% (238 bps) year-on-year. It achieved a segment result margin of 15.9%, reflecting a drop of 0.2% (20bps) over 2017.

| **SMT Solutions Segment** | FY 2018 | 2H 2018 | | Q4 2018 | |
|---|---|---|---|---|---|
| | YoY | HoH | YoY | QoQ | YoY |
| Bookings | +16.7% | -11.8% | +8.4% | -32.9% | -2.5% |
| Revenue | +19.1% | +37.9% | +15.3% | +12.9% | +40.3% |
| Gross Margin | -238bps | -503bps | -386bps | -873bps | -603bps |
| Segment Profit | +17.6% | +36.0% | +7.2% | -31.5% | +65.7% |
| Segment Profit Margin | -20bps | -23bps | -119bps | -782bps | +186bps |

## LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 31 December 2018 decreased by 26.4 % to HK$2.25 billion (2017: HK$3.06 billion). During 2018, HK$1.05 billion was paid as dividends (2017: HK$939.0 million). Capital addition during the period amounted to HK$813.3 million (2017: HK$638.9 million), which was partially funded by the year’s depreciation and amortization of HK$575.4 million (2017: HK$477.7 million). Day sales outstanding decreased to 102.6 days (2017: 108.6 days).

As of 31 December 2018, the current ratio was 1.95, with a debt-equity ratio of 28.7% (debts include all bank borrowings and convertible bonds). The Group had available banking facilities of HK$1.71 billion (US$218.0 million) in the form of bank loans and overdraft facilities. As of 31 December 2018, the Group had bank borrowings of HK$1.26 billion (US$160.9 million), part of which was utilization of committed facilities. The bank borrowings were repayable up to 2022 and an insignificant portion is fixed-rate borrowings. The Group's shareholders’ funds increased to HK$12.2 billion as at 31 December 2018.

Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in Hong Kong dollars, US dollars and Euros. As of 31 December 2018, cash holdings of the Group were mainly in US dollars, Euros, Chinese renminbi, Singapore dollars, British pounds and Hong Kong dollars. The Group's SMT Solutions Business segment entered into US dollars and Euros hedging contracts to mitigate the foreign currency risks as a significant portion of the production of SMT equipment and its suppliers are located in Europe while a substantial part of the Group's revenue for SMT equipment was denominated in US dollars.

In 2018, the Group launched a share buyback program. During the year ended 31 December 2018, the Group repurchased 2,810,600 shares of the Company on The Stock Exchange of Hong Kong Limited for a total consideration of HK$305.5 million.

The Group has convertible bonds with a principal amount of HK$2.25 billion with an annual coupon rate of 2% that will become due on 28 March 2019. They represent a potential cash outlay of the Group should bondholders elect to redeem their bonds then. The Group has sufficient resources to repay bondholders in the event the bondholders elect to redeem the convertible bond. However, if the Company’s share price stays above the conversion price (the prevailing conversion price: HK$93.18), it is unlikely that bondholders would seek redemption of their bonds.

In terms of currency exposure, the Group was moderately exposed. The majority of our sales were denominated in US dollars, Euros and Chinese renminbi. On the other hand, disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros, Hong Kong and Singapore dollars, Malaysia ringgit, Chinese renminbi, British pounds and Japanese yen.

We continue to believe in returning excess cash to our shareholders. The Group has adopted a dividend policy of paying out sustainable and gradually increasing dividends. After considering our mid-to-short term needs and cash on hand, the Board recommends a final dividend of HK$1.40 (2017: final dividend of HK$1.30) per share. The total dividend payout for 2018 is HK$2.70 per share (2017: HK$2.50 per share).

## HUMAN RESOURCES

Our people remain the pillar of our success. At ASMPT, we strive to nurture and retain our talented employees through a holistic approach of competitive remuneration packages that are in line with the market, a comprehensive program of long term development training, and an inclusive and positive working environment. Salary reviews are conducted annually. Employees also receive a range of other benefits including medical, training subsidies, provident funds schemes, and team bonding activities that promote camaraderie and strengthen the relationships at work. Discretionary bonus and incentives shares are also granted to eligible employees based on the Group's financial performance and individual staff performance.

Continuing its search for the next-generation of leaders, the Group has put in place a succession plan to identify and develop a strong and cohesive leadership team that will lead the group in a sustainable manner. These earmarked high potential executives must undergo job rotation, mentoring and training programs that will prepare them to take over the helm at the right time.

The Group collaborated closely with local universities and technical institutions in the region through internship programs and scholarship opportunities to create and sustain students' interest in technology innovation. We hope to develop an industry-ready pipeline of talent in the market through inspiring the students to begin a career with ASMPT. Four years ago, the ASM Technology Award was launched in Hong Kong to recognize and award students with outstanding Final Year Projects. In December 2018, for the first time ever, ASMPT invited the six student winners and their supervising professors to Germany to learn more about the company, its technology and customers.

As we grow our business and expand our global footprint, we also encourage employees to proactively give back to the communities in which we operate, through voluntary work and donations. In 2018, the Group devoted about 23,700 hours on volunteer work.

As of 31 December 2018, the total headcount for the Group was approximately 16,300, which included 1,500 temporary or short-term contract employees and outsourced workers. Of the total workforce, around 1,300 were based in Hong Kong, 8,700 in Mainland China, 1,600 in Singapore, 1,400 in Germany, 1,600 in Malaysia, 500 in United Kingdom, 200 in the United States, with the rest being based in other parts of the world.

The total manpower costs for the Group in 2018 was HK$5.00 billion, as compared with HK$4.60 billion in 2017.

## PROSPECTS

While the first three quarters of 2018 had been strong, the Group ended the year with some uncertainties ahead. Both indicators, booking of lead frames and Group booking in the fourth quarter, pointed to a possible slowdown of the market in 2019. This could be attributed to multiple market and economic forces: market cyclical behavior after a super cycle that lasted for three years, a slowdown of innovation rate in smartphones and the tension between the two largest economic powers in the world, the United States and China.

## PROSPECTS - continued

However, fundamental drivers for the long-term growth of the global semiconductor industry remain unchanged. Many new technologies and applications such as AI, big data analysis, HPC, data centers, 5G communications, IoT, Industry 4.0, ADAS, VR and AR, to name a few, are driving demand for semiconductor devices. Furthermore, HI and Advanced Packaging are pushing the shift of value-added from the front-end to the back-end of the semiconductor industry. ASMPT is prepared to take advantage of all these new developments as it has created an unparalleled product and solution portfolio through internal development and acquisitions over the past few years. Advanced Packaging contributed to over 10% of the revenue of our Back-end Equipment Segment in 2018 and is expected to increase further over time.

Nevertheless, we expect 2019 to be a challenging year for the industry, not only for ASMPT. Group revenue is likely to register a year-on-year drop in 2019, although we forecast it to be small at this moment as demand for Advanced Packaging equipment is expected to offset part of the weakness in demand for other capacity related equipment.

With the soft booking received in the last quarter of 2018, we anticipate Group revenue for the first quarter of 2019 to be in the range of US$460 million to US$510 million, representing reductions both quarter-on-quarter and year-on-year. We also anticipate first quarter revenue of 2019 for our Back-end Equipment Segment to be flat or a small dip as compared with the previous quarter and revenue for the SMT Solutions Segment to come down from its peak in the last quarter but likely to register a year-on-year growth. Group booking in the first quarter is likely to be flat or rebound slightly from fourth quarter of 2018.

So far, ASMPT has demonstrated a successful track record of taking on the challenges of market downturns and emerging strongly each time. We are confident about repeating the success. In fact, we believe we are in a much better position than before. Externally, we believe demand for semiconductor devices will be very strong with the arrival of the Data Era. Internally, ASMPT has prepared well for the market opportunities for Advanced Packaging and invested to grasp the potential of Smart Manufacturing brought about by Industry 4.0. ASMPT has entered into a high growth period.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company was authorized at its 2018 annual general meeting to repurchase its own ordinary shares not exceeding 5% of the total number of its issued shares as at the date of the passing of the resolution.

During the year, 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 (the “Stock Exchange”). All the shares repurchased were subsequently cancelled. As at 31 December 2018, the total number of shares of the Company in issue was 406,671,333. Details of the share repurchase are as follows:

| Month of repurchase in 2018 | Number of shares repurchased | Consideration per share Highest (HK$) | Consideration per share Lowest (HK$) | Aggregate consideration paid (HK$’000) |
|---|---|---|---|---|
| January 2018 | 947,900 | 110.00 | 107.90 | 104,124 |
| April 2018 | 1,362,700 | 110.00 | 109.50 | 149,872 |
| May 2018 | 500,000 | 103.20 | 102.50 | 51,500 |
| | 2,810,600 | | | 305,496 |

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

The Directors of the Company believe that the above 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 year ended 31 December 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 year ended 31 December 2018.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 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 consolidated financial statements for the year ended 31 December 2018 in conjunction with the Company's external auditor.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures as set out in the preliminary announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## BOARD OF DIRECTORS

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

On behalf of the Board
**Lee Wai Kwong**
Director

Hong Kong, 21 February 2019