ASM PACIFIC TECHNOLOGY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0522)

ANNOUNCEMENT OF UNAUDITED 2019 FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2019

Rebound in Materials Bookings: Possible Sign of Recovery

- Group revenue of US$466.6 million decreased by 23.2% and 15.8% over the preceding three months and the same period of last year, respectively
- Net profit of HK$108.2 million, representing decreases of 49.0% and 82.4% over the preceding three months and the same period of last year, respectively
- Earnings per share was HK$0.27, representing decreases of HK$0.25 and HK$1.25 over the preceding three months and the same period of last year, respectively
- Back-end Equipment revenue was US$195.9 million, representing decreases of 15.9% and 30.4% over the preceding three months and the same period of last year, respectively
- Materials revenue was US$50.5 million, representing decreases of 15.5% and 32.3% over the preceding three months and the same period of last year, respectively
- SMT Solutions revenue was US$220.2 million, representing an increase of 11.4% over the same period of last year but a contraction of 30.1% over the preceding three months
- Group quarterly bookings of US$460.3 million, decreased by 3.0% and 39.0% over the preceding three months and the same period of last year, respectively
- Cash and bank deposits was HK$2.61 billion at the end of March 2019, as compared with HK$2.25 billion at the end of 2018
- Book to bill ratio was 0.99

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the three months ended 31 March 2019:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved revenue amounting to **HK$3.66 billion** (US$466.6 million) for the three months ended 31 March 2019, which was a decrease of 15.8% as compared with HK$4.35 billion (US$555.7 million) for the first quarter of 2018 and a decrease of 23.2% as compared with HK$4.77 billion (US$608.9 million) for the preceding quarter. The Group's consolidated profit after taxation for the first quarter of 2019 was **HK$108.2 million** as compared with a profit of HK$615.6 million in the corresponding period in 2018, and a profit of HK$212.2 million in the previous quarter. Basic earnings per share for the first quarter of 2019 amounted to **HK$0.27** (first quarter of 2018: HK$1.52, fourth quarter of 2018: HK$0.52).

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended		
		31 March 2019 (unaudited) HK$'000	31 December 2018 (unaudited) HK$'000	31 March 2018 (unaudited) HK$'000
	Notes			
Revenue	2	**3,660,015**	4,767,696	4,345,900
Cost of sales		**(2,419,791)**	(3,196,406)	(2,712,984)
Gross profit		**1,240,224**	1,571,290	1,632,916
Other income		**14,088**	11,648	20,493
Selling and distribution expenses		**(368,421)**	(478,461)	(351,836)
General and administrative expenses		**(223,458)**	(251,290)	(232,896)
Research and development expenses		**(409,056)**	(424,060)	(354,658)
Other gains and losses		**16,208**	(1,174)	30,948
Restructuring costs		**-**	(19,067)	-
Finance costs		**(86,807)**	(51,065)	(36,680)
Profit before taxation		**182,778**	357,821	708,287
Income tax expense		**(74,541)**	(145,606)	(92,663)
Profit for the period		**108,237**	212,215	615,624
Profit (loss) for the period attributable to:				
Owners of the Company		**110,058**	211,161	617,780
Non-controlling interests		**(1,821)**	1,054	(2,156)
		108,237	212,215	615,624
Earnings per share	3			
- Basic		**HK$0.27**	HK$0.52	HK$1.52
- Diluted		**HK$0.27**	HK$0.52	HK$1.52

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended		
	31 March 2019 (unaudited) HK$'000	31 December 2018 (unaudited) HK$'000	31 March 2018 (unaudited) HK$'000
Profit for the period	**108,237**	212,215	615,624
Other comprehensive income (expense)			
- exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	**18,218**	(29,632)	230,536
- remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	**-**	3,400	-
Other comprehensive income (expense) for the period	**18,218**	(26,232)	230,536
Total comprehensive income for the period	**126,455**	185,983	846,160
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company	**129,666**	186,904	848,324
Non-controlling interests	**(3,211)**	(921)	(2,164)
	126,455	185,983	846,160

Notes:

1. Principal Accounting Policies

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

Except as described below, the accounting policies used in the financial highlights for the three months ended 31 March 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees which superseded HKAS 17 "Leases" and the related interpretations.

Under HKFRS 16, distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) - Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, 1 January 2019. Furthermore, the Group has opted the modified retrospective approach for the application of HKFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained profits without restating comparative information.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

The following table summarize the impacts of applying HKFRS 16 on the Group's condensed consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

1. Principal Accounting Policies - continued

Impacts on condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2019

	Three months ended 31 March 2019 (unaudited)		
	As reported	Results without application of HKFRS 16	Increase/ (decrease) in profit for the period
	HK$'000	HK$'000	HK$'000
Cost of sales	(2,419,791)	(2,423,236)	3,445
Selling and distribution expenses	(368,421)	(368,982)	561
General and administrative expenses	(223,458)	(224,412)	954
Research and development expenses	(409,056)	(410,838)	1,782
Other gains and losses	16,208	23,021	(6,813)
Finance costs	(86,807)	(72,426)	(14,381)
Income tax expense	(74,541)	(77,908)	3,367
Profit for the period	108,237	119,322	(11,085)
Total comprehensive income for the period	126,455	137,482	(11,027)

2. Segment Information

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

	Three months ended		
	31 March 2019 (unaudited)	31 December 2018 (unaudited)	31 March 2018 (unaudited)
	HK$'000	HK$'000	HK$'000
Segment revenue from external customers			
Back-end equipment	**1,537,196**	1,828,624	2,209,896
Surface mount technology ("SMT") solutions	**1,726,887**	2,470,237	1,550,745
Materials	**395,932**	468,835	585,259
	3,660,015	4,767,696	4,345,900
Segment profit			
Back-end equipment	**52,875**	165,004	502,141
SMT solutions	**213,398**	298,654	200,644
Materials	**10,472**	3,333	39,246
	276,745	466,991	742,031
Interest income	**5,883**	4,885	9,580
Finance costs	**(86,807)**	(51,065)	(36,680)
Unallocated other expenses	**-**	(1,470)	-
Unallocated net foreign exchange gains (loss) and fair value change of foreign currency forward contracts	**7,205**	(2,300)	27,060
Unallocated general and administrative expenses	**(28,424)**	(40,153)	(33,704)
Adjustment on contingent consideration for an acquisition	**8,176**	-	-
Restructuring costs	**-**	(19,067)	-
Profit before taxation	**182,778**	357,821	708,287
Segment profit %			
Back-end equipment	**3.4%**	9.0%	22.7%
SMT solutions	**12.4%**	12.1%	12.9%
Materials	**2.6%**	0.7%	6.7%

3. Earnings per share

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

	Three months ended		
	31 March 2019 (unaudited) HK$'000	31 December 2018 (unaudited) HK$'000	31 March 2018 (unaudited) HK$'000
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company)	**110,058**	211,161	617,780
Add: Interest expense on convertible bonds (*Note*)	**-**	-	35,902
Earnings for the purpose of calculating diluted earnings per share	**110,058**	211,161	653,682

	Number of Shares (in thousands)		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**406,671**	404,580	406,376
Effect of dilutive potential shares:			
- Employee Share Incentive Scheme	**400**	2,353	431
- Convertible bonds (*Note*)	**-**	-	23,852
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**407,071**	406,933	430,659

Note: The calculation of diluted earnings per share for the three months ended 31 March 2019 and 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 three months ended 31 March 2018, the Company's outstanding convertible bonds were assumed to have been fully converted into ordinary shares and the profit for the period attributable to owners of the Company was adjusted to exclude the interest expense relating to the convertible bonds.

REVIEW

The first quarter for 2019 was closed largely in line with the Group's expectation. As the Group expected, the semiconductor market was in a period of adjustment during the period. However, there were initial signs of market recovery as lead frame booking, which has served as leading indicator of the market, started to rebound.

The Group achieved billing of US$466.6 million during Q1 this year, representing reductions of 23.2% and 15.8% compared with the preceding quarter and the same period last year, respectively. Group booking amounted to US$460.3 million, representing a small reduction of 3.0% quarter-on-quarter (QoQ) and reduction of 39.0% year-on-year (YoY), respectively.

Compared with previous years, this year we did not notice any significant pick up of order momentum for the Back-end Equipment Segment after the Chinese New Year, which tended to occur in previous years. However, on the bright side, lead frame booking did start to rebound in the first quarter, although overall lead frame booking remained at a low level. This could be an indication that the lead frame market had probably bottomed out and started to rebound.

Booking of the Materials Segment rebounded 15.2% QoQ while booking of the Back-end Equipment Segment and the SMT Solutions Segment experienced small QoQ contractions of 4.2% and 5.1%, respectively.

As a reflection that the semiconductor market was going through a period of adjustment, the first quarter bookings of all three segments experienced YoY contractions of 37.4%, 45.2% and 30.1% for the Materials Segment, the Back-end Equipment Segment and the SMT Solutions Segment, respectively.

If we read the market correctly and if booking of lead frames continues to serve as the leading indicator, as it did in the past, we expect to see a QoQ rebound of Back-end Equipment booking in Q2. However, we believe the booking would still be significantly lower than the level for the same period in 2018.

In terms of application segments, booking of the IC/Discrete and CIS market took the lead as we saw booking for our CIS equipment rebounded by more than double, compared with Q4 last year due to seasonality. However, it was more than 20% below the same period last year. Excluding the acquisition effect of ASM NEXX, booking of the IC/Discrete equipment rebounded by more than 30% from the level in Q4 last year. However, it was more than 50% below the same period last year.

Book to bill ratio for the Group was 0.99. Backlog as of end Q1 2019 was US$652.1 million, a small reduction of 0.4% from Q4 2018.

Gross margin of the Group was 33.9% in Q1 this year, representing an improvement of 93bps over the preceding quarter and a reduction of 369bps against the same period last year, respectively. The YoY reduction of gross margin was mainly related to product mix, lower sales volume and lower production capacity utilization. Back-end Equipment only contributed to 42.0% of the Group's total revenue in Q1 this year, a significant drop from 50.8% for the same period last year. Group gross margin is expected to bounce back to a higher level in the coming quarters.

	Q1 2019 Bookings			Q1 2019 Billings		
	Amount (US$m)	YoY	QoQ	Amount (US$m)	YoY	QoQ
Group	460.3	-39.0%	-3.0%	466.6	-15.8%	-23.2%
Back-end Equipment Segment	222.7	-45.2%	-4.2%	195.9	-30.4%	-15.9%
Materials Segment	46.0	-37.4%	+15.2%	50.5	-32.3%	-15.5%
SMT Solutions Segment	191.6	-30.1%	-5.1%	220.2	+11.4%	-30.1%

REVIEW - continued

Q1 2019	Group	
	YoY	QoQ
Bookings	-39.0%	-3.0%
Revenue	-15.8%	-23.2%
Gross Margin	-369bps	+93bps
EBIT	-64.1%	-34.7%
Net Profit	-82.4%	-49.0%
Net Profit Margin	-1121bps	-149bps

Back-end Equipment

During the first quarter, billing of the Back-end Equipment segment contracted 15.9% QoQ and 30.4% YoY, respectively to US$195.9 million. The segment contributed to 42.0% of the Group's revenue. Gross margin declined by 508bps YoY and 383bps QoQ to 39.2%, mainly due to lower sales volume and under-utilization of installed production capacity. As a result, the segment's profit declined by 89.5% YoY and 68.0% QoQ, respectively.

Materials

During the first quarter, billing of the Materials segment contracted 15.5% QoQ and 32.3% YoY, respectively to US$50.5 million. Materials segment contributed to 10.8% of the Group's revenue. Gross margin declined by 271bps YoY but improved 275bps QoQ to 10.4%. Profit for the segment declined by 73.3% YoY but improved 214.2% QoQ.

SMT Solutions

During the first quarter, billing of the SMT Solutions segment amounted to US$220.2 million, representing a growth of 11.4% YoY but a contraction of 30.1% compared with the preceding quarter. SMT Solutions segment contributed to 47.2% of the Group's revenue. Gross margin declined by 269bps YoY but improved 423bps QoQ to 34.5%. Segment profit improved by 6.4% YoY but declined by 28.5% when compared against the last quarter.

Q1 2019	Back-end Equipment Segment		Materials Segment		SMT Solutions Segment	
	YoY	QoQ	YoY	QoQ	YoY	QoQ
Bookings	-45.2%	-4.2%	-37.4%	+15.2%	-30.1%	-5.1%
Revenue	-30.4%	-15.9%	-32.3%	-15.5%	+11.4%	-30.1%
Gross Margin	-508bps	-383bps	-271bps	+275bps	-269bps	+423bps
Segment Profit	-89.5%	-68.0%	-73.3%	+214.2%	+6.4%	-28.5%
Segment Profit Margin	-1928bps	-558bps	-406bps	+193bps	-58bps	+27bps

By geographical distribution, China, Europe, the Americas, Vietnam and Malaysia are the top five markets for the Group in Q1 2019. The Group continued to build its business on a diversified customer base. The top five customers together accounted for 17.6% of the Group's revenue in Q1 this year and 80% of its revenue came from 130 customers.

The Company has fully redeemed all the outstanding convertible bonds in the principal amount of HK$2.25 billion on 28 March 2019 upon maturity. A syndicated loan of HK$2.5 billion was arranged to finance the redemption.

PROSPECTS

Due to the low level of bookings received in Q1 this year, we anticipate that Group billing in Q2 will be in the range of US$490 million to US$540 million with Group gross margin in the range of 34% to 36%.

Back-end business is expected to lead the QoQ improvement. In terms of booking, we expect the market to continue to improve. Group booking is expected to show a double-digit percentage improvement over Q1 this year. However, we expect it should still be significantly lower than the booking of the same period last year.

While it is still too early to predict with certainty the market will recover in the later part of the year, many of our customers believe that at the moment, the chance of a market improvement is significantly higher than the chance of further market deterioration.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2019.

BOARD OF DIRECTORS

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

On behalf of the Board
Lee Wai Kwong
Director

Hong Kong, 24 April 2019