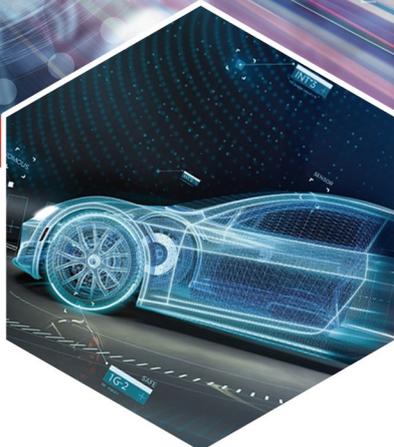


# Continued Momentum Strengthened Focus

延續強勢 • 鞏固核心



Interim Report 2021 中期報告



Pacific Technology  
(STOCK CODE 股份代號: 0522)

ASM Pacific Technology Limited

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)

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## CORPORATE INFORMATION

### DIRECTORS

#### Independent Non-Executive Directors

Orasa Livasiri, *Chairman*  
Lok Kam Chong, John  
Wong Hon Yee  
Tang Koon Hung, Eric

#### Non-Executive Directors

Benjamin Loh Gek Lim  
Paulus Antonius Henricus Verhagen

#### Executive Directors

Robin Gerard Ng Cher Tat  
Guenter Walter Lauber  
Patricia Chou Pei-Fen

### COMPANY SECRETARY

Kong Choon, Jupiter

### AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Registered Public Interest Entity Auditors  
35/F One Pacific Place  
88 Queensway  
Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation  
Limited  
MUFG Bank, Ltd.  
Deutsche Bank

### CORPORATE HEADQUARTERS

2 Yishun Avenue 7  
Singapore 768924  
Republic of Singapore

### REGISTERED OFFICE

Whitehall House  
238 North Church Street  
P. O. Box 1043, George Town  
Grand Cayman KY1-1102  
Cayman Islands

### SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### COMPANY WEBSITE AND CONTACT

Website : <http://www.asmpacific.com>  
Phone : (65) 6752 6311  
Fax : (65) 6758 2287

### CHOICE OF MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This Interim Report is now available in printed form, and on the website of the Company. Shareholders may at any time choose to receive the Interim Report in printed form or by electronic means by reasonable notice in writing to the Company c/o the Share Registrar. Shareholders who have chosen to receive the Interim Report using electronic means but for any reason have difficulty in receiving or gaining access to the Interim Report, the Company or the Share Registrar will, upon written request, send the printed form to you free of charge.

## FINANCIAL HIGHLIGHTS

### Q2 2021 REVENUE EXCEEDED GUIDANCE AND BOOKINGS BETTER THAN EXPECTED

#### Highlights for Q2 2021

- Record quarterly revenue of HK\$5.18 billion (US\$666.6 million)
- Better than expected bookings of HK\$7.32 billion (US\$942.6 million)
- Strong gross margin improvement of 257 bps YoY and 101 bps QoQ
- Net profit of HK\$732.2 million, including share of results from AAMI

#### Highlights for 1H 2021

- Record half-yearly revenue of HK\$9.51 billion (US\$1.23 billion)
- Record half-yearly bookings of HK\$15.15 billion (US\$1.95 billion)
- Sharp gross margin improvement of 260 bps YoY and 481 bps HoH
- Net profit of HK\$1.26 billion, including share of results from AAMI
- Interim earnings per share of HK\$3.05
- Interim dividend per share of HK\$1.30
- Record order backlog of HK\$11.54 billion (US\$1.49 billion) as of 30 June 2021

#### Revenue Guidance for Q3 2021

- Q3 2021 revenue guidance range of US\$730 million to US\$780 million

## FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>				
Revenue	5,177,232	3,746,492	9,514,154	6,725,510
Cost of sales	(3,076,523)	(2,322,471)	(5,697,633)	(4,202,809)
Gross profit	2,100,709	1,424,021	3,816,521	2,522,701
Other income	40,042	9,775	55,246	54,129
Selling and distribution expenses	(459,704)	(372,578)	(853,413)	(727,815)
General and administrative expenses	(239,815)	(226,076)	(471,360)	(437,178)
Research and development expenses	(469,849)	(386,481)	(890,188)	(779,055)
Other gains and losses	(27,377)	(12,427)	(17,287)	(23,972)
Other expenses	(7,351)	(21,836)	(7,351)	(71,833)
Finance costs	(31,265)	(39,948)	(59,918)	(79,229)
Share of result of a joint venture	27,153	–	44,446	–
Profit before taxation	932,543	374,450	1,616,696	457,748
Income tax expense	(200,306)	(50,947)	(356,038)	(108,744)
Profit for the period from continuing operations	732,237	323,503	1,260,658	349,004
<b>Discontinued operation</b>				
Profit for the period from discontinued operation	–	41,929	–	41,778
Profit for the period	<u>732,237</u>	<u>365,432</u>	<u>1,260,658</u>	<u>390,782</u>
Profit for the period, attributable to owners of the Company				
– from continuing operations	730,641	323,847	1,252,150	347,594
– from discontinued operation	–	41,929	–	41,778
	<u>730,641</u>	<u>365,776</u>	<u>1,252,150</u>	<u>389,372</u>
Profit (loss) for the period, attributable to non-controlling interests				
– from continuing operations	1,596	(344)	8,508	1,410
Profit for the period	<u>732,237</u>	<u>365,432</u>	<u>1,260,658</u>	<u>390,782</u>
Earnings per share (from continuing and discontinued operations)				
– Basic	<u>HK\$1.78</u>	<u>HK\$0.89</u>	<u>HK\$3.05</u>	<u>HK\$0.95</u>
– Diluted	<u>HK\$1.78</u>	<u>HK\$0.89</u>	<u>HK\$3.05</u>	<u>HK\$0.95</u>
Earnings per share (from continuing operations)				
– Basic	<u>HK\$1.78</u>	<u>HK\$0.79</u>	<u>HK\$3.05</u>	<u>HK\$0.85</u>
– Diluted	<u>HK\$1.78</u>	<u>HK\$0.79</u>	<u>HK\$3.05</u>	<u>HK\$0.85</u>

## CHAIRMAN'S STATEMENT

### RESULTS

Please note that the results of the Group's former Materials Segment have been deconsolidated since 29 December 2020. Commencing first quarter of 2021, its earnings have been equity accounted for in the Group's performance.

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") achieved revenue amounting to HK\$9.51 billion (US\$1.23 billion) for the six months ended 30 June 2021, an increase of 41.5% versus HK\$6.73 billion (US\$865.9 million) for the first six months of 2020, and 19.3% versus HK\$7.97 billion (US\$1.03 billion) for the preceding six months, from continuing operations. The Group's consolidated profit after taxation for the second quarter of 2021 was HK\$732.2 million, an increase versus profit of HK\$323.5 million for second quarter of 2020, and HK\$528.4 million the previous quarter, from continuing operations. Basic earnings per share from continuing operations for the second quarter of 2021 was HK\$1.78 (first quarter of 2021: HK\$1.27, second quarter of 2020: HK\$0.79).

### DIVIDEND

The Board of Directors of ASM Pacific Technology Limited (the "Company") is pleased to declare an interim dividend of HK\$1.30 (2020: HK\$0.70) per share, payable to shareholders whose names appear on the Register of Members of the Company on 18 August 2021.

### REVIEW

#### Group Review

The review will begin with an update of key highlights shaping the Group's performance for the first half of this year, followed by an analysis of financials for the Group and its Segments, namely, the Semiconductor Solutions Segment ("SEMI") and the SMT Solutions Segment ("SMT").

#### *Superior Operational and Fulfillment Execution*

Since the beginning of 2021, the Group has experienced a very strong surge in customer demand in tandem with a brightening global macroeconomic environment, helped in no small part by wider COVID-19 vaccine availability and deployment across many economies. The Group leveraged on its global internal and external manufacturing footprint and well-established supply chain partners to deliver strong operational performance. In this regard, the Group was honoured to receive a distinguished 2020 Supplier Achievement Award for its 'COVID-19 response' from Intel Corporation, a special recognition of the Group's ability to ensure uninterrupted supply to them throughout the pandemic period. This recognition exemplifies the Group's superior operational and fulfilment execution of its delivery commitments to its customers even under adverse situations.

While the Group's global internal and external manufacturing teams were delivering at elevated levels, it also continued to pace its capacity expansion, in particular for external manufacturing, in order to alleviate its record backlog at greater speed. The Group capitalised on its capacity allocation flexibility across its global manufacturing footprint and supply chains in order to minimise any disruptions to delivery schedules in the event of unforeseen situations such as short-term national lockdowns.

## CHAIRMAN'S STATEMENT (CONTINUED)

### REVIEW (Continued)

#### Group Review (Continued)

##### *Superior Operational and Fulfillment Execution (Continued)*

The widely-reported semiconductor shortage and supply chain constraints remained a concern for market participants globally. The Group recalibrated its inventory management strategies for certain key electronics and electrical components away from its just-in-time inventory management to a more 'just-in-case' approach (basically, building inventory on-hand) in order to effectively strengthen its supply chain resilience.

Nevertheless, the Group's global manufacturing and supply chain teams continue to closely monitor possible events that may impact delivery. Its well-balanced internal and external manufacturing teams provide greater strategic control and visibility for the Group to address dynamic situations.

##### *Strong Performance from Advanced Packaging ("AP")*

The Group has been methodically building up the industry's most comprehensive product portfolio of AP solutions, which support a whole spectrum of customer needs, including 2.5D, 3D-IC, fan-in and fan-out wafer-level packaging and system-in-package ("SiP") tools. Its AP solutions span both SEMI and SMT tools, delivering 'total interconnect solutions' with industry-leading capabilities to its customers who serve in high-end end-user markets like CPU, GPU, XPU and SiP applications.

The Group leverages its deep R&D capabilities to integrate seamlessly into the technology roadmaps of key partners. These include integrated device manufacturers ("IDMs"), leading fabless and foundry companies, high-end memory OEMs, semiconductor production equipment manufacturers (such as Austria's EV Group), and frontier technology companies (such as IBM Research). This collaborative approach creates significant value for the Group's customers and also positions the Group well for both near-term and longer-term AP opportunities.

The Group's AP tools encompass wafer-level mid-end semiconductor processes, wafer dicing and grooving tools, die-level high-accuracy placement tools, and SiP placement tools. Its AP solutions are experiencing a further broadening of their respective customer bases, fuelled by increasing demand from high-end end-user markets and secular growth trends.

## CHAIRMAN'S STATEMENT (CONTINUED)

## REVIEW (Continued)

## Group Review (Continued)

*Strong Performance from Advanced Packaging ("AP") (Continued)*

Notably, the Group's AP solutions revenue for the last 36 months (2H 2018 to 1H 2021) has crossed the US\$1 billion milestone, and Group AP bookings for 1H 2021 are already at more than 80% of FY2020's, a clear demonstration of continued momentum for these solutions through 2021. The Group is confident about continuing to expand its AP contribution in the years ahead. The Group's AP portfolio performance in the last six months is briefly described below.

- (i) 'Mid-end' semiconductor process deposition tools encompassing Physical Vapour Deposition ("PVD") and Electrochemical Deposition ("ECD") tools. These tools featured prominently in the capital investments of key IDMs and both leading fabless and foundry companies, with panel-level ECD tools maintaining their dominant market position with Tier-1 high density interconnect substrate suppliers.
- (ii) Ultra-precision laser dicing and grooving tools achieved strong HoH growth in bookings.
- (iii) Ultra-precision tools with high placement accuracy (2 microns and below) also performed very well.
  - a. Thermo Compression Bonding ("TCB") tools achieved a significant milestone in February this year with the delivery of its 250th such tool to customers, representing the broadening of customer demand for TCB solutions supported by accelerated digital transformation and other secular growth trends. The Group is making further investments towards new TCB developments to reinforce its leadership in this space as it believes that TCB solutions will continue to co-exist with hybrid bonding (please refer to (vi) of this section).
  - b. Mass transfer bonder and die bonders with ultra-precision placement accuracy also gained traction with customers for Micro LED and silicon photonics applications, respectively.
- (iv) Advanced placement tools with placement accuracy (between 2 and 10 microns), including flip chip bonders, captured a good portion of customers' capital investments for capability requirements.
- (v) SMT SiP placement tools experienced strong demand driven by the capability expansion plans of customers.
- (vi) Hybrid bonding is an emerging AP technology that the Group is devoting significant investment in order to realise its full potential. The Group's hybrid bonding development roadmap is progressing well and on track for delivery at the end of this year.

## CHAIRMAN'S STATEMENT (CONTINUED)

## REVIEW (Continued)

## Group Financial Review

(in HK\$ million)	Q2 2021		1H 2021			
	QoQ	YoY	HoH	YoY		
Bookings <sup>1</sup>	7,322.7 (US\$942.6 million)	-6.5%	+140.0%	15,150.3 (US\$1.95 billion)	+84.7%	+100.2%
Revenue <sup>1</sup>	5,177.2 (US\$666.6 million)	+19.4%	+38.2%	9,514.2 (US\$1.23 billion)	+19.3%	+41.5%
Gross Margin <sup>1, 2</sup> (%)	40.6%	+101 bps	+257 bps	40.1%	+481 bps	+260 bps
Net Profit <sup>1, 2, 3</sup>	732.2	+38.6%	+126.3%	1,260.7	+143.1%	+261.2%
Net Profit Margin <sup>1, 2, 3</sup> (%)	14.1%	+196 bps	+551 bps	13.3%	+675 bps	+806 bps

## Notes

- 1 excluding contributions from the Materials Segment, which has been deconsolidated and equity accounted for since 29 December 2020
- 2 excluding one-off items and related tax impacts recorded in Q4 2020
- 3 including share of results from AAMI, a joint-venture, commencing from the beginning of 2021

## 1H 2021 Group Financial Review

In the first half of this year, the Group delivered a record revenue performance of HK\$9.51 billion (US\$1.23 billion). This represented YoY and HoH growth of 41.5% and 19.3% respectively. First half revenue performance continued to be driven by long-term secular growth trends and key macro environment factors:

- (i) The need to build more resilient semiconductor supply chains to deal with semiconductor chip shortages or to meet semiconductor self-sufficiency imperatives (often supported by national government programmes, notably mainland China) drove some customers to accelerate their capital expenditure plans and increase capacity investments.
- (ii) Semiconductor ubiquity in today's world along with long-term secular growth trends including accelerated digital transformation, high performance computing, automotive electrification and the global 5G rollout influenced customers to ramp up investments to meet both capacity and capability requirements.
- (iii) Broad-based demand fuelled by the reopening of major global economies.

The Group also experienced a record amount of bookings of HK\$15.15 billion (US\$1.95 billion) in the first half of this year, representing YoY and HoH growth of 100.2% and 84.7% respectively. Notably, both SEMI and SMT segments achieved record half-yearly bookings. While SEMI bookings still comprised the majority, the SMT segment has registered two consecutive quarters of record bookings.

## CHAIRMAN'S STATEMENT (CONTINUED)

## REVIEW (Continued)

## Group Financial Review (Continued)

*1H 2021 Group Financial Review (Continued)*

The Group's overall strong bookings performance was fuelled by overall broad-based demand, with bookings serving the following end-market applications more than doubling HoH:

- (i) The consumer market performed the strongest, expanding significantly in the wake of an expansive post-pandemic economic rebound, especially in mainland China. This momentum drove firm consumer demand for SiP-enabled wearable devices, gaming devices, and both general lighting and conventional RGB displays.
- (ii) The automotive market was another standout, influenced predominantly by strong growth in automotive electrification, particularly in mainland China, and steady recovery in the general automotive market.
- (iii) For industrial market, there was strong growth fuelled by broad-based demand for automation and control devices that are used in varied applications including smart grids and EV charging infrastructure.

Strong Group bookings also drove a record backlog (as of 30 June 2021) of HK\$11.54 billion (US\$1.49 billion) and book-to-bill ratio of 1.59.

The top five markets that contributed to Group revenue were China (including Hong Kong), Europe, the Americas, Taiwan and Korea. The Group's top five customers also accounted for only 14.4% of Group revenue, continuing to reflect a high degree of customer diversification.

The Group's gross margin was 40.1%, representing a sharp YoY and HoH improvement of 260 bps and 481 bps respectively. This was mainly attributed to a relatively higher segment revenue mix contribution from the Group's SEMI Segment and some positive margin accretive effects from the implementation of programmes related to the Group's strategic initiatives. These positive margin developments were partially offset by some costs related to steps the Group took to adapt parts of its supply chain to support a just-in-case position to reinforce the Group's supply chain resilience and provide crucial business continuity to customers during the current period of constrained global semiconductor supply. Despite this, the Group's strong gross margin performance still drove the Group's net profit (including share of results from its joint-venture AAMI) to HK\$1.26 billion, a YoY and HoH improvement of 261.2% and 143.1% respectively.

The Group held cash and bank deposits of HK\$4.10 billion (as of 30 June 2021). This strong cash position and elevated working capital levels provide crucial support for the Group's expected ramp-up of deliveries to meet increased demand. The Group continues to maintain a prudent and disciplined capital management policy, which is important for securing a strong and resilient balance sheet.

## CHAIRMAN'S STATEMENT (CONTINUED)

## REVIEW (Continued)

## Group Financial Review (Continued)

## Q2 2021 Group Financial Review

The Group achieved record revenue of HK\$5.18 billion (US\$666.6 million), representing growth of 38.2% YoY and 19.4% QoQ. This exceeded the top end of revenue guidance between US\$600 million to US\$650 million provided during the previous quarter's results announcement.

The Group's bookings of HK\$7.32 billion (US\$942.6 million) were an increase of 140.0% YoY, but a QoQ decline of 6.5% due to a high base effect (Q1 2021 was the Group's highest-ever quarterly bookings performance).

The Group's gross margin of 40.6% represented a YoY and QoQ improvement of 257 bps and 101 bps respectively. Notably, the SMT segment showed encouraging YoY and QoQ gross margin improvements.

## Semiconductor Solutions Segment Review

(in HK\$ million)	Q2 2021			1H 2021		
		QoQ	YoY		HoH	YoY
Bookings	4,296.1 (US\$553.0 million)	-19.1%	+144.2%	9,606.9 (US\$1.24 billion)	+99.5%	+130.4%
Revenue	3,165.3 (US\$407.6 million)	+17.1%	+46.3%	5,869.2 (US\$756.3 million)	+36.8%	+59.7%
Gross Margin <sup>1</sup> (%)	43.8%	-21 bps	+94 bps	43.9%	+449 bps	+170 bps
Segment Profit <sup>1</sup>	681.0	+23.4%	+102.9%	1,232.7	+163.5%	+193.4%
Segment Profit Margin <sup>1</sup> (%)	21.5%	+111 bps	+600 bps	21.0%	+1,010 bps	+957 bps

## Note

1 excluding one-off items recorded in Q4 2020

## CHAIRMAN'S STATEMENT (CONTINUED)

## REVIEW (Continued)

## Group Financial Review (Continued)

## Semiconductor Solutions Segment Review (Continued)

The Segment responded well to strong customer demand and scaled its manufacturing capacity particularly from external sources. This helped drive a strong Q2 2021 revenue performance of HK\$3.17 billion (US\$407.6 million), accounting for 61.1% of Group revenue. This robust growth of 46.3% YoY and 17.1% QoQ was underpinned by the following:

- (i) Its IC/Discrete Business Unit ("BU") mainstream tools showed another consecutive quarter of strong YoY and QoQ revenue growth, with die bonders, wire bonders and test handlers dominating deliveries. Some of its AP solutions - namely advanced placement flip chip bonders and advanced laser dicing and grooving equipment - exhibited YoY and QoQ growth. The Unit's overall performance reflected its customers' willingness to rapidly deploy capital in order to capture opportunities emerging from recovering global market conditions.
- (ii) Its Optoelectronics BU recorded strong YoY revenue performance from general lighting customers; these, along with conventional fine-pitch display and Mini LED customers, accounted for the majority of the BU's revenue. As for its Micro LED solutions, the BU continues to closely engage with key customers, with its tools ready to capture significant market opportunities when this application ecosystem matures.
- (iii) Its CIS BU registered a slight but encouraging QoQ improvement in revenue, underpinned by its broad and favourable customer mix. This was achieved despite widely-reported semiconductor supply constraints that continued to impact the near-term outlook for smartphones.

The Segment registered strong bookings of HK\$4.30 billion (US\$553.0 million) this quarter, representing YoY growth of 144.2% and QoQ decline of 19.1% (on the back of a record Q1 2021). Mainstream wire and die bonding tools, and advanced packaging panel level ECD tools represented the majority of Segment bookings.

Segment gross margin was 43.8% this quarter, a YoY improvement of 94 bps and flat QoQ. Its YoY improvement was attributed to a combination of improved operating leverage arising from elevated volume and capacity utilisation, increased productivity achieved with a leaner workforce, and some positive effects from the roll out of the Group's strategic initiatives. These improvements were partially offset by a product mix in favour of mainstream tools, expenditure related to the strategic initiatives, and costs to strengthen supply chain resilience amidst industry-wide semiconductor bottlenecks.

## CHAIRMAN'S STATEMENT (CONTINUED)

## REVIEW (Continued)

## Group Financial Review (Continued)

## SMT Solutions Segment Review

(in HK\$ million)	Q2 2021			1H 2021		
		QoQ	YoY		HoH	YoY
Bookings	3,026.6 (US\$389.6 million)	+20.3%	+134.3%	5,543.4 (US\$714.2 million)	+63.7%	+63.2%
Revenue	2,012.0 (US\$259.1 million)	+23.2%	+27.1%	3,645.0 (US\$469.7 million)	-1.0%	+19.5%
Gross Margin (%)	35.5%	+330 bps	+412 bps	34.0%	+349 bps	+215 bps
Segment Profit	314.3	+90.4%	+98.2%	479.5	+28.8%	+68.2%
Segment Profit Margin (%)	15.6%	+551 bps	+560 bps	13.2%	+305 bps	+381 bps

The Segment paced its manufacturing capacity expansion well and this led to a strong Q2 2021 revenue performance of HK\$2.01 billion (US\$259.1 million), accounting for 38.9% of this quarter's Group revenue. This represented growth of 27.1% YoY and 23.2% QoQ. The Segment's QoQ revenue growth was underpinned by:

- (i) Mainstream high-end placement tools accounted for the majority of Segment revenue.
- (ii) AP tools, which include highly accurate SiP placement tools.
- (iii) Mainstream printing tools experienced increased demand on the back of key customer wins.

The Segment achieved record bookings this quarter of HK\$3.03 billion (US\$389.6 million), an increase of 134.3% YoY and 20.3% QoQ. This strong QoQ growth was attributed to broad-based customer demand across major end-market applications including industrial, communications (connectivity devices and equipment), computers (data centre servers) and automotive.

Segment gross margin of 35.5% this quarter represented a sharp improvement of 412 bps YoY and 330 bps QoQ. Its QoQ improvement was mainly influenced by a few factors, including higher operating leverage arising from increased volume and manufacturing utilisation, favourable product mix and some positive margin effects arising from strategic initiatives. These improvements were tempered partially by non-recurring strategic initiative-related expenses and costs to reinforce its supply chain resilience during this period of semiconductor supply constraints.

## CHAIRMAN'S STATEMENT (CONTINUED)

## RESEARCH AND DEVELOPMENT

The Group has an unwavering commitment to investing in research and development ("R&D") with the objective of remaining at the forefront of technology innovations.

The Group's strategy reinforces its ability to deliver the best innovative products with differentiated value propositions to customers. As a result, its customers have benefitted from the Group's breadth and depth of enabling technologies, strong financial resources and excellent infrastructure support. During the six months ended 30 June 2021, the Group invested 9.4% of its equipment revenue into R&D, to the tune of HK\$890.2 million. To date, the Group has obtained more than 1,500 patents on leading-edge technologies.

As of 30 June 2021, the Group operates 11 research and development centres worldwide in various major cities, namely in Americas (Boston), Asia (Chengdu, Hong Kong, Shenzhen, Singapore and Taoyuan) and Europe (Beuningen, Munich, Porto, Regensburg and Weymouth), supported by more than 2,000 R&D employees.

## LIQUIDITY AND FINANCIAL RESOURCES

With the completed divestment of 55.56% of the Group's Materials Segment, the Group's continuing operations refer to Group's business activities excluding the Materials Segment.

Return on sales of the Group's continuing operations for the period was 17.3% (1H 2020: 7.3%).

Inventory balance as of 30 June 2021 was HK\$7.37 billion compared with HK\$5.77 billion as of 31 December 2020. The Group's annualized inventory turnover for its continuing operations was 2.90 times (1H 2020: 2.20 times).

Cash and bank deposits as of 30 June 2021 was HK\$4.10 billion (31 December 2020: HK\$4.46 billion). Capital addition during the period amounted to HK\$99.2 million (1H 2020: HK\$99.8 million), which was fully funded by the period's depreciation and amortization of HK\$260.4 million (1H 2020: HK\$262.6 million), excluding the depreciation of right-of-use assets of HK\$107.9 million (1H 2020: HK\$101.7 million) as per HKFRS 16 in the current period. Days sales outstanding of the Group's continuing operations was 103.8 days (1H 2020: 79.6 days).

As of 30 June 2021, the current ratio was 2.28 (31 December 2020: 2.77), with a debt-to-equity ratio of 22.8% (31 December 2020: 23.1%). Debts include all bank borrowings and lease liabilities under hire purchase arrangements. The Group had available banking facilities of HK\$1.65 billion (US\$212.1 million) (31 December 2020: HK\$2.30 billion (US\$296.6 million)) in the form of bank loans and overdraft facilities, of which HK\$776.6 million (US\$100.0 million) (31 December 2020: HK\$775.3 million (US\$100.0 million)) was a committed borrowing facility. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in US dollars, Hong Kong dollars and Euros.

## CHAIRMAN'S STATEMENT (CONTINUED)

## LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The Group had bank borrowings of HK\$3.09 billion as of 30 June 2021 (31 December 2020: HK\$3.05 billion), consisting of variable-rate and fixed-rate bank borrowings. These bank borrowings are unsecured and repayable by instalments. A syndicated loan of HK\$2.5 billion was arranged in March 2019, and it is a variable-rate borrowing. Repayment of this syndicated loan will commence from March 2022 until March 2024. The Group uses interest rate swaps to mitigate its exposure of the cash flow changes of the variable-rate syndicated loan by swapping certain portions of the syndicated loan from variable rates to fixed rates. The Group's equity attributable to owners of the Company was HK\$13.52 billion (31 December 2020: HK\$13.17 billion) as at 30 June 2021.

As of 30 June 2021, cash holdings of the Group were mainly in US dollars, Euros and Chinese RMB. The Group's SMT Solutions Segment entered into US dollar and Euro hedging contracts to mitigate 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 is denominated in US dollars.

In terms of currency exposure, the majority of the Group's sales and disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese RMB.

The Group has maintained a strong track record of rewarding its shareholders with consistent dividends every year since listing on HKEX in 1989. The Board declares an interim dividend of HK\$1.30 per share, an 86% increase compared with 1H 2020.

**Significant Investment**

As at 30 June 2021, Advanced Assembly Materials International Limited ("AAMI") was regarded as a significant investment of the Group as the value of the Group's investment in AAMI comprised 5% or more of the Group's total assets. Save as disclosed in this report, the information pursuant to paragraph 32(4A) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the Group's investment in AAMI has not changed materially from the information disclosed in the most recent published annual report.

## CHAIRMAN'S STATEMENT (CONTINUED)

### HUMAN RESOURCES

The Group's employees play key roles in helping its customers successfully enable the digital world. Its human resources approach blends initiatives comprising maintaining competitive remuneration, advancing learning and development tools and systems, and creating an inclusive and positive work environment, all part of a holistic and sustained effort to attract, nurture and retain talented people.

Besides annual salary reviews, employees enjoy a range of benefits including medical and training subsidies, and team-bonding activities that help promote camaraderie and strengthen relationships at work. Discretionary bonus and incentives shares are also granted to eligible employees based on both Group financial performance and individual performance.

As of 30 June 2021, total headcount for the Group was approximately 11,900, which excludes some 2,700 temporary or short-term contract employees and outsourced workers. Of the 11,900, approximately 1,100 are based in Hong Kong, 5,300 in mainland China, 1,500 in Singapore, 1,100 in Germany, 1,000 in Malaysia, 400 in the United Kingdom, 300 in the United States, and the rest in other parts of the world.

Total manpower costs for the Group for the first six months of 2021 was HK\$2.62 billion, compared with HK\$2.12 billion during the same period of 2020. The Group has committed to allocating the requisite costs for manpower to ensure that its employees are fairly remunerated. The Group continues to take a prudent and measured approach toward managing manpower costs, including creative options to manage manpower in the face of the industry's cyclical environment, the present increase in demand for the Group's products, and a more diverse, mobile and talented workforce.

### OUTLOOK

Supported by a record backlog and a carefully calibrated capacity expansion plan, the Group expects revenue for Q3 2021 to be in the range of US\$730 million to US\$780 million and reaffirms that second half 2021 revenue will stay strong.

The Group is confident of its longer term outlook because of key structural increases in underlying semiconductor demand from secular growth trends, and an overall robust outlook for the industry. For example in its recent June update, VLSI Research forecasted semiconductor content volume rising from 945 billion units in 2020 to 1.43 trillion units in 2025, with the packaging and assembly equipment market expanding from US\$3.6 billion in 2020 to US\$5.6 billion in 2025.

## CHAIRMAN'S STATEMENT (CONTINUED)

### DELIVERING LONG TERM PROFITABILITY

Positive longer term outlook, along with its revenue growth strategies and strategic initiatives, offers excellent opportunities for the Group to strengthen its focus on delivering consistent and sustainable long term profitability to its stakeholders.

The Group's consistent investment in technology and innovation has enabled it to progressively deepen and expand its overall solutions leadership across mainstream, advanced packaging and Industry 4.0 domains. A sustained commitment of about 10% of equipment revenue for R&D for many years has enabled the Group to build a deep R&D talent pool and significant in-house process and development capabilities and expertise that enables it to 'cross-fertilise' technologies and expertise in unique ways. This has been fundamental in supporting customer's technology road maps, and this in turn has expanded the Group's served market opportunities.

The Group's focused approach for inorganic growth – both M&A and partnerships - distinctively complements these strong in-house capabilities. Its inorganic growth focus basically seeks to invest 'ahead of the curve' in order to capture opportunities in growth areas. The Group's strong record of successfully integrating acquired companies has enabled it to deepen, broaden and strengthen its overall portfolio, with its more recent activity being oriented toward cutting edge areas in AI chip development, hybrid bonding and advanced manufacturing software solutions. These inorganic investments have supported the Group's revenue growth.

On top of the delivering revenue growth, the Group is focused on rolling out a number of strategic initiatives to both leverage and deepen the Group's strong organisational foundations that have enabled it to continue creating significant value for stakeholders. While there are some near-term temporary expenditures associated with planning and rolling out these strategic initiatives, these have been deemed necessary in order to realise opportunities for longer term earnings accumulation. These collective efforts will enable the Group to progressively increase its profit share over the longer term.

The Group believes the world is at the early stages of sustained semiconductor growth in the present multi-year data centric era. This bodes well for its ability to continue delivering consistent and sustainable long-term profitability to its stakeholders.

**Orasa Livasiri**  
*Chairman*  
27 July 2021

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

TO THE BOARD OF DIRECTORS OF ASM PACIFIC TECHNOLOGY LIMITED

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 July 2021

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>			
Revenue	3	9,514,154	6,725,510
Cost of sales		(5,697,633)	(4,202,809)
Gross profit		3,816,521	2,522,701
Other income		55,246	54,129
Selling and distribution expenses		(853,413)	(727,815)
General and administrative expenses		(471,360)	(437,178)
Research and development expenses		(890,188)	(779,055)
Other gains and losses	5	(17,287)	(23,972)
Other expenses	6	(7,351)	(71,833)
Finance costs	7	(59,918)	(79,229)
Share of result of a joint venture		44,446	–
Profit before taxation		1,616,696	457,748
Income tax expense	8	(356,038)	(108,744)
Profit for the period from continuing operations		1,260,658	349,004
<b>Discontinued operation</b>			
Profit for the period from discontinued operation	9	–	41,778
Profit for the period		1,260,658	390,782
Profit for the period, attributable to owners of the Company			
– from continuing operations		1,252,150	347,594
– from discontinued operation		–	41,778
		1,252,150	389,372
Profit for the period, attributable to non-controlling interests			
– from continuing operations		8,508	1,410
Profit for the period		1,260,658	390,782
Earnings per share (from continuing and discontinued operations)	11		
– Basic		HK\$3.05	HK\$0.95
– Diluted		HK\$3.05	HK\$0.95
Earnings per share (from continuing operations)	11		
– Basic		HK\$3.05	HK\$0.85
– Diluted		HK\$3.05	HK\$0.85

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period	1,260,658	390,782
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
– net fair value loss on investments in equity instruments at fair value through other comprehensive income	(49,735)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– exchange differences on translation of foreign operations		
– subsidiaries	(102,153)	(152,306)
– a joint venture	1,771	–
– fair value gain (loss) on hedging instruments designated as cash flow hedges	12,337	(38,654)
	(88,045)	(190,960)
Other comprehensive expense for the period	(137,780)	(190,960)
Total comprehensive income for the period	1,122,878	199,822
Total comprehensive income for the period attributable to:		
Owners of the Company	1,117,209	199,015
Non-controlling interests	5,669	807
	1,122,878	199,822

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	2,300,052	2,407,335
Right-of-use assets	12	1,663,983	1,601,737
Investment properties		82,523	85,263
Goodwill		1,155,070	1,159,030
Intangible assets		1,086,076	1,139,436
Other investments		61,802	111,106
Interest in a joint venture		1,286,218	1,240,001
Finance lease receivables		4,175	4,363
Deposits paid for acquisition of property, plant and equipment		26,203	9,837
Rental deposits paid		34,885	28,816
Deferred tax assets		540,258	569,129
Other non-current assets		22,860	8,519
		<u>8,264,105</u>	<u>8,364,572</u>
<b>Current assets</b>			
Inventories		7,367,853	5,773,007
Finance lease receivables		375	372
Trade and other receivables	13	5,543,900	4,305,431
Amounts due from a joint venture and its affiliates		14,024	326
Derivative financial instruments		790	45,564
Income tax recoverable		141,863	213,781
Pledged bank deposits		601	594
Bank deposits with original maturity of more than three months		9,602	9,774
Bank balances and cash		4,093,503	4,450,564
		<u>17,172,511</u>	<u>14,799,413</u>
<b>Current liabilities</b>			
Trade liabilities and other payables	14	3,990,497	2,784,858
Advance payments from customers		1,972,461	1,239,316
Amounts due to a joint venture and its affiliate		28,690	110,277
Derivative financial instruments		19,460	-
Lease liabilities		196,913	169,730
Provisions	15	294,883	308,722
Income tax payable		206,430	175,743
Bank borrowings	16	837,005	547,210
		<u>7,546,339</u>	<u>5,335,856</u>
Net current assets		<u>9,626,172</u>	<u>9,463,557</u>
		<u>17,890,277</u>	<u>17,828,129</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

	<i>Notes</i>	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	17	41,079	41,079
Dividend reserve		534,035	821,592
Other reserves		12,945,420	12,306,918
Equity attributable to owners of the Company		13,520,534	13,169,589
Non-controlling interests		30,327	24,658
Total equity		13,550,861	13,194,247
<b>Non-current liabilities</b>			
Bank borrowings	16	2,250,000	2,500,476
Lease liabilities		1,398,830	1,352,476
Retirement benefit obligations		292,067	319,821
Provisions	15	51,440	51,345
Derivative financial instruments		43,467	55,804
Deferred tax liabilities		190,779	232,377
Other liabilities and accruals		112,833	121,583
		4,339,416	4,633,882
		17,890,277	17,828,129

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company													Attributable to non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Shares held for the Scheme HK\$'000 (note 18)	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Other reserve HK\$'000 (Note)	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Subtotal HK\$'000		
At 1 January 2020	40,889	1,541,129	-	(132)	760	72,979	8,020	(30,589)	-	(669,427)	10,378,460	286,227	11,628,316	3,376	11,631,692
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,621,516	-	1,621,516	8,987	1,630,503
Item that will not be reclassified to profit or loss:															
Remeasurement of defined benefit retirement plans, net of tax	-	-	-	-	-	-	-	-	-	-	(26,100)	-	(26,100)	-	(26,100)
Items that may be reclassified subsequently to profit or loss:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	448,613	-	-	448,613	12,295	460,908
Reclassification of cumulative translation reserve upon deemed disposal of foreign operations	-	-	-	-	-	-	-	-	-	(8,896)	-	-	(8,896)	-	(8,896)
Fair value loss on hedging instruments designated as cash flow hedges	-	-	-	-	-	-	-	-	(55,804)	-	-	-	(55,804)	-	(55,804)
Total comprehensive (expense) income for the year	-	-	-	-	-	-	-	-	(55,804)	439,717	1,595,416	-	1,979,329	21,282	2,000,611
Subtotal	40,889	1,541,129	-	(132)	760	72,979	8,020	(30,589)	(55,804)	(229,710)	11,973,876	286,227	13,607,645	24,658	13,632,303
Recognition of equity-settled share-based payments	-	-	160,733	-	-	-	-	-	-	-	-	-	160,733	-	160,733
Acquisition of business	-	-	-	-	-	-	-	-	-	-	-	-	-	43,792	43,792
Gross obligation to acquire non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(43,792)	(43,792)
Purchase of shares under the Scheme (as defined in note 18)	-	-	-	(26,335)	-	-	-	-	-	-	-	-	(26,335)	-	(26,335)
Shares vested under the Scheme	-	-	(23,890)	26,467	-	-	-	-	-	-	(2,577)	-	-	-	-
Shares issued under the Scheme	190	136,653	(136,843)	-	-	-	-	-	-	-	-	-	-	-	-
2019 final dividend paid	-	-	-	-	-	-	-	-	-	-	-	(286,227)	(286,227)	-	(286,227)
2020 interim dividend paid	-	-	-	-	-	-	-	-	-	-	-	(286,227)	(286,227)	-	(286,227)
2020 final dividend proposed	-	-	-	-	-	-	-	-	-	-	-	(821,592)	(821,592)	-	(821,592)
At 31 December 2020 and 1 January 2021 (audited)	41,079	1,677,782	-	-	760	72,979	8,020	(30,589)	(55,804)	(229,710)	10,863,480	821,592	13,169,589	24,658	13,194,247
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,252,150	-	1,252,150	8,508	1,260,658
Item that will not be reclassified to profit or loss:															
Net fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	(49,735)	-	-	-	-	-	(49,735)	-	(49,735)
Items that may be reclassified subsequently to profit or loss:															
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(97,543)	-	-	(97,543)	(2,839)	(100,382)
Fair value gain on hedging instruments designated as cash flow hedges	-	-	-	-	-	-	-	-	12,337	-	-	-	12,337	-	12,337
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(49,735)	-	12,337	(97,543)	1,252,150	-	1,117,209	5,669	1,122,878
Subtotal	41,079	1,677,782	-	-	760	72,979	(41,715)	(30,589)	(43,467)	(327,253)	12,115,630	821,592	14,286,798	30,327	14,317,125
Recognition of equity-settled share-based payments	-	-	82,037	-	-	-	-	-	-	-	-	-	82,037	-	82,037
Purchase of shares under the Scheme	-	-	-	(26,709)	-	-	-	-	-	-	-	-	(26,709)	-	(26,709)
2020 final dividend paid	-	-	-	-	-	-	-	-	-	-	-	(821,592)	(821,592)	-	(821,592)
2021 interim dividend declared after end of interim period	-	-	-	-	-	-	-	-	-	-	(534,035)	534,035	-	-	-
At 30 June 2021 (unaudited)	41,079	1,677,782	82,037	(26,709)	760	72,979	(41,715)	(30,589)	(43,467)	(327,253)	11,581,595	534,035	13,520,534	30,327	13,550,861

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

	Attributable to owners of the Company													Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Employee sharebased compensation reserve HK\$'000	Shares held for the Scheme HK\$'000 (note 18)	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Other reserve HK\$'000 (Note)	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Subtotal HK\$'000		Attributable to non-controlling interests HK\$'000
At 1 January 2020	40,889	1,541,129	-	(132)	760	72,979	8,020	(30,589)	-	(669,427)	10,378,460	286,227	11,628,316	3,376	11,631,692
Profit for the period	-	-	-	-	-	-	-	-	-	-	389,372	-	389,372	1,410	390,782
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-	-	(151,703)	-	-	(151,703)	(603)	(152,306)
Fair value loss on hedging instruments designated as cash flow hedges, which may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-	(38,654)	-	-	-	(38,654)	-	(38,654)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	(38,654)	(151,703)	389,372	-	199,015	807	199,822
Sub-total	40,889	1,541,129	-	(132)	760	72,979	8,020	(30,589)	(38,654)	(821,130)	10,767,832	286,227	11,827,331	4,183	11,831,514
Recognition of equity-settled share-based payments	-	-	60,130	-	-	-	-	-	-	-	-	-	60,130	-	60,130
Purchase of shares under the Scheme	-	-	-	(26,335)	-	-	-	-	-	-	-	-	(26,335)	-	(26,335)
2019 final dividend paid	-	-	-	-	-	-	-	-	-	-	-	(286,227)	(286,227)	-	(286,227)
2020 interim dividend declared after end of interim period	-	-	-	-	-	-	-	-	-	-	(286,227)	286,227	-	-	-
At 30 June 2020 (unaudited)	40,889	1,541,129	60,130	(26,467)	760	72,979	8,020	(30,589)	(38,654)	(821,130)	10,481,605	286,227	11,574,899	4,183	11,579,082

Note: Other reserve represents (i) the change in the non-controlling interest in a subsidiary arising from issuing of new shares to the Group upon the capitalization of loans to the subsidiary in 2017 and (ii) acquiring non-controlling interest in a subsidiary in prior period.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cash generated from operations		977,572	1,553,149
Income taxes paid		(272,873)	(216,416)
Net cash from operating activities		704,699	1,336,733
Net cash used in investing activities			
Deposits paid for acquisition of property, plant and equipment		(26,203)	(140,012)
Purchase of property, plant and equipment		(67,932)	(70,367)
Net cash outflow arising on acquisition of subsidiaries		–	(29,489)
Other investing cash flows		3,519	235
		(90,616)	(239,633)
Net cash (used in) from financing activities			
Dividends paid		(821,592)	(286,227)
Bank borrowings raised	16	450,066	757,851
Repayment of bank borrowings	16	(408,552)	(111,991)
Repayment of lease liabilities		(95,599)	(93,784)
Other financing cash flows		(60,141)	(75,552)
		(935,818)	190,297
Net (decrease) increase in cash and cash equivalents		(321,735)	1,287,397
Cash and cash equivalents at beginning of the period		4,450,564	2,317,543
Effect of foreign exchange rate changes		(35,326)	(24,890)
Cash and cash equivalents at end of the period, represented by bank balances and cash		4,093,503	3,580,050

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements do not include all the information required for a complete set of Hong Kong Financial Reporting Standards financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

## Application of amendments to HKFRSs (Continued)

*Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"*

*Financial instruments**Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform*

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortized cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change)

As at 30 June 2021, the Group has several London Interbank Offered Rate ("LIBOR")/Hong Kong Interbank Offered Rate ("HIBOR") bank loans of HK\$585,621,000 and HK\$2,500,000,000 respectively which will/may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change and no impact on the Group's designated hedged items/assessment of hedge effectiveness resulting from the reform on application of the amendments.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

## Application of amendments to HKFRSs (Continued)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company do not anticipate that the application of the new and amendments to HKFRSs issued but not yet effective will have a material impact on the consolidated financial statements in the foreseeable future.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

**3. SEGMENT INFORMATION**

The Group has two (2020: three) operating segments: development, production and sales of (1) semiconductor solutions and (2) surface mount technology solutions. They represent two (2020: three) major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the two (2020: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

On 28 December 2020, the Group completed a deemed disposal of its materials business. As a result, the operating segment concerning the Group's materials business has been discontinued in 2020; this is described in more detail in note 9. The segment information reported in this note does not include any amounts for the discontinued operation of materials business. The comparative figures in this note have been restated to conform to the current period's presentation.

Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income and other losses, unallocated net foreign exchange gain (loss) and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, share of result of a joint venture and other expenses.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 3. SEGMENT INFORMATION (Continued)

## Segment revenue and results

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>		
Segment revenue from external customers		
Semiconductor solutions	5,869,192	3,676,203
Surface mount technology solutions	3,644,962	3,049,307
	<u>9,514,154</u>	<u>6,725,510</u>
Segment profit		
Semiconductor solutions	1,232,664	420,202
Surface mount technology solutions	479,477	284,979
	<u>1,712,141</u>	<u>705,181</u>
Interest income	3,914	10,418
Finance costs	(59,918)	(79,229)
Unallocated other income and other losses	1,218	(2,268)
Unallocated net foreign exchange gain (loss) and fair value change of foreign currency forward contracts	18,223	(23,293)
Unallocated general and administrative expenses	(95,977)	(81,228)
Share of result of a joint venture	44,446	–
Other expenses	(7,351)	(71,833)
	<u>1,616,696</u>	<u>457,748</u>
Profit before taxation		

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 3. SEGMENT INFORMATION (Continued)

Geographical analysis of revenue by location of customers

	Revenue from external customers Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>		
Mainland China	4,605,052	2,882,838
Europe	1,107,504	956,520
– Germany	368,403	263,477
– France	90,250	48,931
– Hungary	89,598	91,020
– Austria	78,849	78,430
– Romania	66,890	60,582
– Others	413,514	414,080
Americas	803,262	578,029
– United States of America	472,366	397,100
– Mexico	93,727	79,936
– Canada	43,196	8,901
– Others	193,973	92,092
Taiwan	696,396	583,080
Korea	451,559	230,321
Thailand	418,196	69,860
Hong Kong	393,882	495,420
Malaysia	373,098	294,668
Japan	222,710	337,379
Vietnam	140,811	128,907
Philippines	118,887	62,018
Singapore	118,538	55,612
Others	64,259	50,858
	<b>9,514,154</b>	<b>6,725,510</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>		
Profit before taxation has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	206,291	211,198
Depreciation for right-of-use assets	107,901	101,707
Depreciation for investment properties	2,635	652
Amortization for intangible assets	51,504	50,741
Government grants (included in other income)	(10,788)	(38,949)

## 5. OTHER GAINS AND LOSSES

During the period, included in other gains and losses are mainly provision in relation to the litigation of HK\$21.7 million (for the six months ended 30 June 2020: nil), net gain on disposal/write-off of property, plant and equipment of HK\$5.4 million (for the six months ended 30 June 2020 (restated): HK\$2.3 million) and net foreign exchange gain and fair value change of foreign currency forward contracts of HK\$18.2 million (for the six months ended 30 June 2020 (restated): net foreign exchange loss and fair value change of foreign currency forward contracts of HK\$23.3 million).

## 6. OTHER EXPENSES

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>		
COVID-19 related expenses (Note)	–	71,833
Other expenses	7,351	–
	<u>7,351</u>	<u>71,833</u>

Note: During the six months ended 30 June 2020, some expenses amounting to HK\$71.8 million directly related and attributable to the COVID-19 event arising from continuing operations were classified as a separate line item under 'other expenses'. Of this amount, HK\$40.4 million was attributable to staff, space and depreciation expenses that the Group bore despite the affected facilities not being operational (in compliance with respective government mandated closures). Another HK\$31.4 million concerned incremental costs from miscellaneous measures including higher freight costs, and additional transport arrangements and procurement of personal protective equipment to ensure staff health and safety.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 7. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>		
Interest on bank borrowings	18,848	45,810
Interest on lease liabilities	26,674	25,632
Others	4,584	7,726
	<u>50,106</u>	<u>79,168</u>
Fair value loss reclassified from equity to profit or loss on interest rate swaps designated as cash flow hedges	9,812	61
	<u>59,918</u>	<u>79,229</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
<b>Continuing operations</b>		
The charge (credit) comprises:		
Current tax:		
Hong Kong	27,021	10,759
People's Republic of China ("PRC") Enterprise Income Tax	57,805	29,895
Other jurisdictions	190,892	121,651
	<u>275,718</u>	<u>162,305</u>
Under(over) provision in prior years	94,665	(6,747)
	<u>370,383</u>	<u>155,558</u>
Deferred tax credit	(14,345)	(46,814)
	<u>356,038</u>	<u>108,744</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 8. INCOME TAX EXPENSE (Continued)

Current tax:

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. 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%. 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 six months ended 30 June 2021 and 2020.
- (b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 25%), except for ASM Technology China Limited ("ATC"). ATC obtained a new advanced technology service enterprise ("ATSE") Certificate in July 2018. According to the tax circular Caishui [2017] No. 79, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15%. The renewed ATSE recognition has no expiry date while ATC shall keep proper records for its fulfilment of recognition criteria as an ATSE.
- (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 semiconductor solutions and materials 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 fulfilment of certain criteria during the relevant periods.

On 12 July 2010, EDB also granted ATS an International Headquarters Award ("IHA") to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfilment of certain criteria during the relevant period. Income of ATS arising from activities not covered under the IHA is taxed at the prevailing corporate tax rate in Singapore of 17% (for the six months ended 30 June 2020: 17%).

On 9 December 2020, the PC has been terminated with effect from 1 January 2020 across all product groups while the IHA has expired on 31 December 2020. Meanwhile, ATS is in the advanced stage of renewing the IHA with effect from 1 January 2021 and obtaining a new PC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

**8. INCOME TAX EXPENSE (Continued)**

Current tax: (Continued)

(d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (for the six months ended 30 June 2020: 15.00%) plus 5.50% (for the six months ended 30 June 2020: 5.50%) solidarity surcharge thereon for the assessable profit for the period. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 14.137% to 17.150% (for the six months ended 30 June 2020: 14.192% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 29.962% and 32.975% (for the six months ended 30 June 2020: between 30.017% and 32.975%).

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

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

**9. DISCONTINUED OPERATION**

On 28 July 2020, the Group entered into a subscription agreement (the "Subscription Agreement") with the independent third parties, pursuant to which Advanced Assembly Materials International Limited ("AAMI") (formerly known as ASM Materials Hong Kong Limited), which was then a wholly-owned subsidiary of the Company, shall issue new shares to the investors subject to the satisfaction of the closing conditions as set out in the Subscription Agreement which the investors shall then have 55.56% of AAMI's enlarged total issued shares (the "Transaction"). AAMI, together with its subsidiaries, carried out the Group's materials business.

The Transaction was completed on 28 December 2020, which was the last date that the Group executed control of AAMI. The Group's materials business was treated as discontinued operation.

The revenue and profit for the period from the discontinued materials business is set out below. The comparative figures in the condensed consolidated statement of profit or loss have been restated to represent the materials operation as a discontinued operation.

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue of materials business for the period	–	976,027
Profit of materials business for the period	–	41,778

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 10. DIVIDENDS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Dividend recognized as distribution during the period</b>		
Final dividend for 2020 paid of HK\$2.00 (2020: final dividend for 2019 paid of HK\$0.70) per share on 410,796,133 (2020: 408,895,533) shares	821,592	286,227
<b>Dividend declared after the end of the interim reporting period</b>		
Interim dividend for 2021 of HK\$1.30 (2020: HK\$0.70) per share on 410,796,133 (2020: 408,895,533) shares	534,035	286,227

The dividend declared after 30 June 2021 will be paid to the shareholders of the Company whose names appear on the Register of Members on 18 August 2021.

## 11. EARNINGS PER SHARE

## From continuing operations

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (restated)
Profit for the period attributable to owners of the Company (from continuing and discontinued operations)	1,252,150	389,372
Less: Profit for the period from discontinued operation	–	(41,778)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	1,252,150	347,594

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 11. EARNINGS PER SHARE (Continued)

From continuing operations (Continued)

	Number of shares (in thousands)	
	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	410,646	408,799
Effect of dilutive potential shares:		
– Employee Share Incentive Scheme	538	511
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>411,184</u>	<u>409,310</u>

## From discontinued operation

For the six months ended 30 June 2020, basic earnings per share for the discontinued operation is HK\$0.10 per share and diluted earnings per share for the discontinued operation is HK\$0.10 per share, based on the profit for the period from the discontinued operation of approximately HK\$41,778,000 and the denominators detailed above for both basic and diluted earnings per share.

## 12. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the period, the Group incurred HK\$97.5 million (for the six months ended 30 June 2020: HK\$119.1 million) and HK\$180.9 million (for the six months ended 30 June 2020: HK\$40.2 million) on the acquisition of property, plant and equipment and the addition of right-of-use assets, respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade receivables (Note)	4,974,535	3,807,458
Value added tax recoverable	311,585	295,100
Other receivables, deposits and prepayments	257,780	202,873
	<u>5,543,900</u>	<u>4,305,431</u>

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Not yet due (Note)	4,246,564	2,941,406
Overdue within 30 days	393,496	367,471
Overdue within 31 to 60 days	117,291	227,410
Overdue within 61 to 90 days	78,218	157,021
Overdue over 90 days	138,966	114,150
	<u>4,974,535</u>	<u>3,807,458</u>

Note: The amount included notes receivables amounting to HK\$967,648,000 (31 December 2020: HK\$470,572,000).

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 14. TRADE LIABILITIES AND OTHER PAYABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade payables	2,579,206	1,454,939
Deferred income (Note a)	118,518	118,925
Accrued salaries and wages	296,699	278,667
Other accrued charges	582,016	562,727
Payables arising from acquisition of property, plant and equipment	82,099	62,759
Gross obligation to acquire non-controlling interest	86,156	88,815
Other payables (Note b)	245,803	218,026
	<u>3,990,497</u>	<u>2,784,858</u>

Notes:

- (a) 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.
- (b) The amounts mainly represent the value added tax payable and other payables.

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Not yet due	2,002,228	1,155,582
Overdue within 30 days	365,120	210,998
Overdue within 31 to 60 days	154,515	49,278
Overdue within 61 to 90 days	31,221	13,994
Overdue over 90 days	26,122	25,087
	<u>2,579,206</u>	<u>1,454,939</u>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 15. PROVISIONS

The Group's provisions are analyzed for reporting purposes as:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Current	294,883	308,722
Non-current	51,440	51,345
	<u>346,323</u>	<u>360,067</u>

The Group's provisions mainly comprise warranty provision of HK\$253,541,000 (31 December 2020: HK\$270,096,000). The movements of the warranty provision and restructuring provision are as follows:

	Warranty provision HK\$'000	Restructuring provision HK\$'000
At 1 January 2020 (audited)	251,366	35,258
Currency realignment	12,716	2,322
Additions	177,812	68,420
Utilization	(171,798)	(57,547)
Deemed disposal of subsidiaries	–	(10,553)
	<u>270,096</u>	<u>37,900</u>
At 31 December 2020 (audited)	270,096	37,900
Currency realignment	(1,664)	617
Additions	103,717	–
Utilization	(118,608)	(19,556)
	<u>253,541</u>	<u>18,961</u>
At 30 June 2021 (unaudited)	<u>253,541</u>	<u>18,961</u>

A subsidiary of the Group was involved in a litigation with a third party in relation to the infringement of a patent for which the High Court ruled in favour of the third party. The first tranche of court hearing for the assessment of damages was held in March 2021. The dates for the second tranche of hearings have yet to be ascertained.

During the year ended 31 December 2019, the third party provided its consultant's report calculating what was alleged to be the total net profit that it would have received had it manufactured and sold a certain number of machines during the relevant period. On 22 January 2021, the subsidiary's consultant provided its report disagreed with the calculations made by the third party's consultant.

Based on the subsidiary's consultant's report and the directors' estimate of the expenditure required to settle the Group's obligations in relation to the litigation, a provision of approximately HK\$38,820,000 (31 December 2020: HK\$17,070,000) was made.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

**16. BANK BORROWINGS**

At 30 June 2021, the bank borrowings bear fixed-rate interest or interest at LIBOR or HIBOR plus a margin per annum, at an effective interest rate from 1.14% to 2.75% (31 December 2020: from 1.20% to 2.75%) per annum. During the six months ended 30 June 2021, the Group obtained new bank borrowings amounting to HK\$450,066,000 (for six months ended 30 June 2020: HK\$757,851,000) and repaid bank borrowings of HK\$408,552,000 (for six months ended 30 June 2020: HK\$111,991,000).

**17. SHARE CAPITAL OF THE COMPANY**

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1 January 2020	408,895	40,889
Shares issued under the Scheme	<u>1,901</u>	<u>190</u>
At 31 December 2020 and 30 June 2021	<u><u>410,796</u></u>	<u><u>41,079</u></u>

All shares issued in prior years rank pari passu with the then existing shares in issue in all respects.

The authorized share capital of the Company is HK\$50 million, comprising 500 million shares of HK\$0.10 each.

**18. SHARE-BASED PAYMENTS**

At the annual general meeting of the Company held on 7 May 2019, the shareholders approved the adoption of an Employee Share Incentive Scheme (the "Scheme") commencing on 24 March 2020 (the "Adoption Date"), under which shares of the Company (the "Awarded Shares") may be allocated or awarded to employees or directors of the Company and certain subsidiaries as determined by the Board (the "Selected Employees"). Unless otherwise cancelled or amended, the Scheme will remain valid and effective for a period of ten years from the Adoption Date. Details of the Scheme were set out in the Company's circular to shareholders dated 1 April 2019.

During the year ended 31 December 2020, the directors resolved to contribute HK\$183 million to the Scheme, pursuant to which an independent professional trustee appointed by the Board under the Scheme (the "Trustee") subscribed for or purchased 2,258,300 shares in the Company for the benefit of certain employees and members of the management of the Group who remained in employment within the Group upon the expiration of the vesting period on 15 December 2020 (the "Vesting Date"). The Trustee (i) purchased a total of 330,300 shares in the Company on the Stock Exchange, and (ii) subscribed for 1,639,700 shares in the Company, prior to the Vesting Date. On the Vesting Date, the Trustee transferred 331,800 shares purchased on the Stock Exchange and 1,639,400 subscribed shares to certain Selected Employees who were connected persons and were not connected persons of the Company respectively. On the same day, the Company also issued and allotted 260,900 new shares to certain Selected Employees who were not connected persons of the Company. 26,200 share entitlements were forfeited and unallocated by the Company, among which 300 shares subscribed for by the Trustee continued to be held on trust by the Trustee as returned shares pursuant to the trust deed and rules of the Scheme.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 18. SHARE-BASED PAYMENTS (Continued)

During the period ended 30 June 2021, the directors resolved to contribute HK\$215 million to the Scheme, and a total of 2,251,100 shares in the Company are expected to be vested in Selected Employees upon the expiration of the next vesting period on 15 December 2021. The Trustee has purchased a total of 275,100 shares in the Company on the Stock Exchange.

The fair values of the shares awarded pursuant to the Scheme in 2020 and 2021 were determined with reference to the market value of the shares at the award date taking into account the exclusion of the expected dividends as the employees were not entitled to receive dividends paid prior to the vesting of the shares.

The Group recognized share-based payments for the six months ended 30 June 2021 amounting to HK\$82,037,000 (for the six months ended 30 June 2020: HK\$60,130,000) in relation to the shares awarded pursuant to the Scheme by the Company, such amount being determined by the fair value of the shares awarded at the award dates.

Movement of the shares awarded to the Selected Employees under the Scheme during the period ended 30 June 2021 are as follows:

Date of award	Vesting period	Number of shares			
		At 1 January 2021 (Audited)	Awarded on 22 March 2021	Allocated as Awarded Shares during the period	At 30 June 2021 (Unaudited)
22 March 2021	22 March 2021 to 15 December 2021	–	2,251,100	(275,100)	1,976,000

Movement of the shares awarded to the Selected Employees under the Scheme during the year ended 31 December 2020 are as follows:

Date of award	Vesting period	Number of shares					
		At 1 January 2020 (Audited)	Awarded on 25 March 2020	Allocated as Awarded Shares during the year	Shares issued and vested on 15 December 2020	Shares entitlements forfeited on 15 December 2020	At 31 December 2020 (Audited)
25 March 2020	25 March 2020 to 15 December 2020	–	2,258,300	(331,800)	(1,900,300)	(26,200)	–

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 18. SHARE-BASED PAYMENTS (Continued)

Note: Movement of Awarded Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK\$'000
At 1 January 2020 (audited)	1	132
Shares purchased from the market during the year	330	26,335
Awarded Shares vested	(331)	(26,467)
	<u>          </u>	<u>          </u>
At 31 December 2020 and 1 January 2021 (audited)	–	–
Shares purchased from the market during the period	275	26,709
	<u>          </u>	<u>          </u>
At 30 June 2021 (unaudited)	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

## 19. RELATED PARTY TRANSACTIONS

**Compensation of key management personnel**

During the period, the emoluments of directors and other members of key management were HK\$29,274,000 (for the six months ended 30 June 2020: HK\$27,818,000).

Certain shares of the Company were awarded to the key management under the Scheme (see note 18 for details of the Scheme). The estimated fair value of such shares included in the emoluments above amounted to HK\$9,759,000 (for the six months ended 30 June 2020: HK\$9,020,000) for the six months ended 30 June 2021.

**Service income and sales to a joint venture and its affiliates**

During the period, there are finance and accounting support service and marketing service of HK\$7,419,000, rental services of HK\$6,153,000 and sales of spare parts to a joint venture and its affiliates of HK\$10,615,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

**Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2021 (unaudited)	31 December 2020 (audited)				
Foreign currency forward contracts classified as derivative financial instruments on the condensed consolidated statement of financial position	Asset - HK\$790,000	Asset - HK\$45,564,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Liability - HK\$19,460,000	Liability - N/A				
Interest rate swaps - classified as derivative financial instruments on the condensed consolidated statement of financial position	Liabilities (designated as for hedging) - HK\$43,467,000	Liabilities (designated as for hedging) - HK\$55,804,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Other investments (classified as equity instrument at FVTOCI)	Asset - HK\$61,802,000	Asset - HK\$111,106,000	Level 3	Market approach is used by comparing the latest transaction prices. Considerations such as time and condition of sale and terms of agreements are analyzed and adjustments are made, where appropriate, to arrive at an estimation of fair value.	The considerations may vary significantly due to difference in timing, condition of sale and terms of agreements, size and nature of similar business to derive the estimated fair value.	The higher the value of similar transactions, the higher the estimation of fair value derived from it, and vice versa.

There were no transfers between Level 1, 2 and 3 in both periods.

The directors consider that the carrying amounts of the other financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

## 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

## Reconciliation of Level 3 fair value measurements

*Financial assets (liabilities)*

	Other investments- equity instruments at FVTOCI HK\$'000	Contingent consideration for acquisition HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	93,471	(29,489)	63,982
Purchase	7,767	–	7,767
Payment	–	31,142	31,142
Total loss:			
– in profit or loss	–	(1,653)	(1,653)
– currency realignment	(1,574)	–	(1,574)
	<u>99,664</u>	<u>–</u>	<u>99,664</u>
At 30 June 2020 (unaudited)			
At 1 January 2021 (audited)	111,106	–	111,106
Purchase	1,274	–	1,274
Total loss:			
– in other comprehensive income	(49,735)	–	(49,735)
– currency realignment	(843)	–	(843)
	<u>61,802</u>	<u>–</u>	<u>61,802</u>
At 30 June 2021 (unaudited)			

Included in other comprehensive income is an amount of HK\$49,735,000 loss (for the six months ended 30 June 2020: nil) relating to other investments classified as equity instruments at FVTOCI held at 30 June 2021 and was reported as changes of "fair value through other comprehensive income reserve".

The fair values of the financial assets and liabilities included in the level 3 categories above have been determined by market approach or in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

21. CONTINGENT LIABILITIES

As at 30 June 2021, the Group has provided guarantees amounting to HK\$1,444,000 (31 December 2020: HK\$2,112,000) to the Singapore government for work permits of foreign workers in Singapore.

22. CAPITAL COMMITMENTS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	125,171	96,161

## OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES

Details of the interests of the directors and chief executives of the Company and their associates in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2021 as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

## Long positions

Shares of HK\$0.10 each of the Company:

Name of director	Capacity	Number of shares held	Percentage of shareholding in the Company
Robin Gerard Ng Cher Tat	Beneficial owner	324,300 <i>(Note 1)</i>	0.08%
Guenter Walter Lauber	Beneficial owner	76,200 <i>(Note 2)</i>	0.02%
Patricia Chou Pei-Fen	Beneficial owner	8,700 <i>(Note 3)</i>	0.002%

## Notes:

- The 324,300 shares included an entitlement of 75,000 shares allocated to Mr. Ng by the Company on 22 March 2021 pursuant to the Scheme, which will vest upon the expiration of the vesting period on 15 December 2021. Pursuant to the Scheme, no subscription price was payable by Mr. Ng in relation to this allocation.
- The 76,200 shares included an entitlement of 25,300 shares in the Company allocated to Mr. Lauber on 22 March 2021 pursuant to the Scheme, which will vest upon the expiration of the vesting period on 15 December 2021. Pursuant to the Scheme, no subscription price was payable by Mr. Lauber in relation to this allocation.
- The 8,700 shares were an entitlement of shares in the Company allocated to Ms. Chou on 22 March 2021 pursuant to the Scheme, which will vest upon the expiration of the vesting period on 15 December 2021. Pursuant to the Scheme, no subscription price was payable by Ms. Chou in relation to this allocation.

Save as disclosed above, as at 30 June 2021, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

## OTHER INFORMATION (CONTINUED)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2021, the following persons (other than the interests disclosed above in respect of directors or chief executives of the Company) had interests or short positions in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Long positions	
		Number of shares held	Percentage of shareholding in the Company
ASM International N.V.	Interest of a controlled corporation	103,003,000 <i>(Note 1)</i>	25.07%
ASM Pacific Holding B.V.	Beneficial owner	103,003,000 <i>(Note 1)</i>	25.07%
Schroders Plc	Investment manager	40,691,800 <i>(Note 2)</i>	9.91%
FIL Limited	Interest of controlled corporations	20,768,099 <i>(Note 3)</i>	5.06%
Pandanus Associates Inc.	Interest of a controlled corporation	20,768,099 <i>(Note 3)</i>	5.06%
Pandanus Partners L.P.	Interest of a controlled corporation	20,768,099 <i>(Note 3)</i>	5.06%

## Notes:

1. ASM International N.V. was deemed to be interested in 103,003,000 shares, through the shares held by its wholly-owned subsidiary, ASM Pacific Holding B.V.. Thus, their respective shareholdings represented the same block of shares.
2. The long position of 40,691,800 shares held by Schroders Plc included derivative interests in 175,000 underlying shares of the Company derived from unlisted and cash settled derivatives.
3. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which in turn holds as to 37.01% shareholding interest in FIL Limited. FIL Limited was deemed to be interested in these 20,768,099 shares of the Company through a series of subsidiaries. Accordingly, Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited were deemed to be interested in these shares pursuant to the SFO.

Save as disclosed above, as at 30 June 2021, according to the register required to be kept by the Company under Section 336 of the SFO, there was no other person who had any interest or short position in the shares or underlying shares of the Company.

## 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 Listing Rules throughout the six months ended 30 June 2021.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiry has been made to all directors of the Company, and all of the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2021.

## OTHER INFORMATION (CONTINUED)

## AUDIT COMMITTEE

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

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 in conjunction with the Company's external auditor.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that an independent professional trustee appointed by the Board under the Scheme, pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Stock Exchange a total of 275,100 shares in the Company at a total consideration of approximately HK\$26.7 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed from 16 August 2021 to 18 August 2021, both days inclusive, during which period no share transfers can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with Company's Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 13 August 2021. The interim dividend will be paid on or about 31 August 2021.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company, as notified to the Company, subsequent to the date of the 2020 Annual Report are set out below:

## Changes in Directors' emoluments

Name of Director		On an annualised basis	Effective Date
Robin Gerard Ng Cher Tat	Salary	HK\$4,351,000	1 July 2021
Guenter Walter Lauber	Salary and other benefits	EUR408,000	1 July 2021
Patricia Chou Pei-Fen	Salary and other benefits	SGD630,000	1 July 2021

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## ASM Pacific Technology Limited

Corporate Headquarters:

集團總部：

2 Yishun Avenue 7

Singapore 768924

Republic of Singapore

[www.asmpacific.com](http://www.asmpacific.com)

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