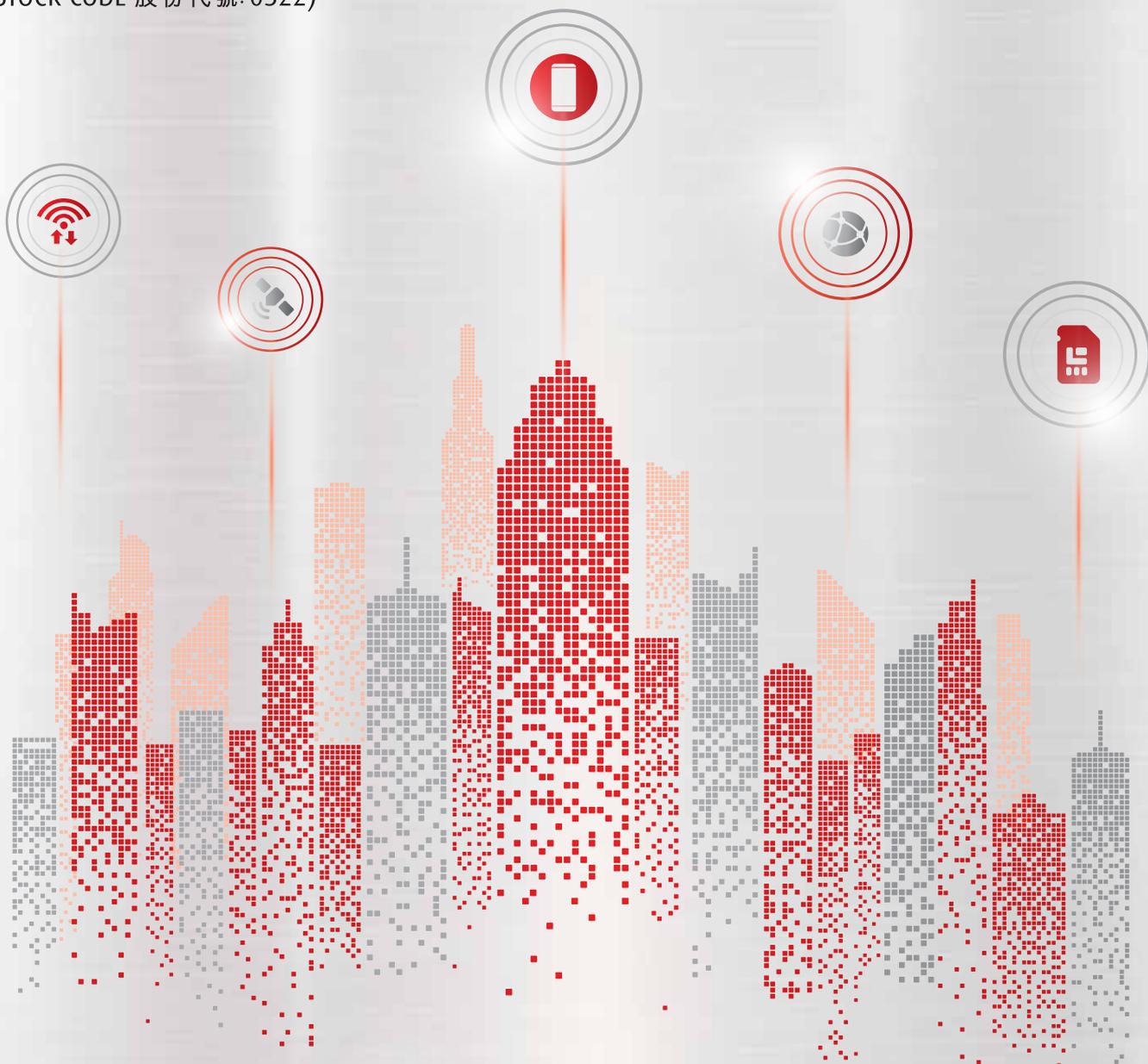




Pacific Technology

(STOCK CODE 股份代號: 0522)

Interim Report
中期報告 2020



Staying Resilient Amid 在經濟動盪中
Economic Uncertainty
保持韌性

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

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Independent Non-Executive Directors

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Lok Kam Chong, John
Wong Hon Yee
Tang Koon Hung, Eric

Non-Executive Directors

Benjamin Loh Gek Lim
Petrus Antonius Maria van Bommel

Executive Directors

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

COMPANY SECRETARY

Kong Choon, Jupiter

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CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

This Interim Report is now available in printed form in English and in Chinese, 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

STAYING RESILIENT AMID ECONOMIC UNCERTAINTY

1H 2020 GROUP PROFITABILITY IMPROVED YEAR-ON-YEAR

First Half of 2020

- Group revenue of US\$991.6 million improved by 5.9% over the same period last year and decreased by 10.5% compared to the second half of last year
- Group net profit of HK\$390.8 million increased 119.2% as compared with the first six-month period of last year; and decreased 12.0% compared to the second six-month period of last year
- Group earnings per share of HK\$0.95 for the first half of 2020
- Semiconductor Solutions Segment revenue of US\$473.3 million increased 16.6% over the first six-month period of last year and decreased 4.5% compared to the second six-month period of last year
- Materials Segment revenue of US\$125.7 million improved 15.6% over the first six-month period of last year and fell by 3.2% compared to the second half of last year
- SMT Solutions Segment revenue of US\$392.6 million decreased 6.9% and 18.7% over the first six-month period and the second six-month period of last year, respectively
- 1H new Group order bookings of US\$1.14 billion increased 7.4% and 19.0% over the first and second six-month periods of last year, respectively
- Group order backlog was US\$799.9 million as of 30 June 2020
- 1H Book-to-Bill Ratio was 1.15

Second Quarter of 2020

- Group revenue of US\$557.4 million increased 27.8% and 19.5% over the preceding quarter and the same period last year, respectively
- Group net profit of HK\$365.4 million increased 1,341.5% and 421.8% over the preceding quarter and the same period last year, respectively
- Group earnings per share of HK\$0.89 for the second quarter 2020
- Group operating profits of HK\$495.8 million increased 241.1% and 95.8% over the preceding quarter and the same period last year, respectively
- Semiconductor Solutions Segment revenue of US\$279.0 million increased 43.0% and 33.8% over the preceding quarter and over the same period last year, respectively
- Materials Segment revenue of US\$74.2 million increased 43.2% and 28.2% over the preceding quarter and over the same period last year, respectively
- SMT Solutions Segment revenue of US\$204.2 million increased 8.0% and 2.2% over the preceding quarter and the same period last year, respectively
- Q2 new Group order bookings of US\$472.0 million decreased 29.4% and 21.6% over the preceding quarter and over the same period last year, respectively
- Cash and bank deposits of HK\$3.59 billion as of 30 June 2020





FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4,321,249	3,614,774	7,701,537	7,274,789
Cost of sales	<u>(2,800,057)</u>	<u>(2,322,896)</u>	<u>(5,047,435)</u>	<u>(4,742,687)</u>
Gross profit	1,521,192	1,291,878	2,654,102	2,532,102
Other income	10,977	15,106	66,687	29,194
Selling and distribution expenses	(385,526)	(385,694)	(753,090)	(754,115)
General and administrative expenses	(248,489)	(232,978)	(473,408)	(456,436)
Research and development expenses	(391,369)	(419,946)	(786,460)	(829,002)
Other gains and losses	(16,956)	(41,515)	(28,682)	(25,307)
Other expenses	(25,978)	—	(87,248)	—
Finance costs	<u>(40,129)</u>	<u>(41,018)</u>	<u>(79,659)</u>	<u>(127,825)</u>
Profit before taxation	423,722	185,833	512,242	368,611
Income tax expense	<u>(58,290)</u>	<u>(115,801)</u>	<u>(121,460)</u>	<u>(190,342)</u>
Profit for the period	<u>365,432</u>	<u>70,032</u>	<u>390,782</u>	<u>178,269</u>
Profit (loss) for the period, attributable to:				
Owners of the Company	365,776	69,429	389,372	179,487
Non-controlling interests	<u>(344)</u>	<u>603</u>	<u>1,410</u>	<u>(1,218)</u>
	<u>365,432</u>	<u>70,032</u>	<u>390,782</u>	<u>178,269</u>
Earnings per share				
— Basic	<u>HK\$0.89</u>	<u>HK\$0.17</u>	<u>HK\$0.95</u>	<u>HK\$0.44</u>
— Diluted	<u>HK\$0.89</u>	<u>HK\$0.17</u>	<u>HK\$0.95</u>	<u>HK\$0.44</u>

CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) achieved a revenue of HK\$7.70 billion (US\$991.6 million) in the six months ended 30 June 2020, which increased 5.9% as compared with HK\$7.27 billion (US\$927.3 million) for the first six months of 2019 and decreased 10.5% over the preceding six months. The Group’s consolidated profit after taxation for the first six months of 2020 was HK\$390.8 million as compared with a profit of HK\$178.3 million in the corresponding period in 2019 and a profit of HK\$444.1 million in the preceding six months. Basic earnings per share (EPS) for the first six months of 2020 amounted to HK\$0.95 (first six months of 2019: HK\$0.44, second six months of 2019: HK\$1.08).

DIVIDEND

The Board of Directors of ASM Pacific Technology Limited (the “Company”) is pleased to declare an interim dividend of HK\$0.70 (2019: HK\$1.30) per share, payable to shareholders whose names appear on the Register of Members of the Company on 19 August 2020.

REVIEW

Business Overview

Despite a challenging first half of 2020 caused by the COVID-19 pandemic, the Group managed to register a year-on-year (“YoY”) growth in revenue and profit. Multiple factors drove the first half revenue performance of the Group. These factors included 5G infrastructure built up, localization of the China semiconductor supply chain and strong position of the Group in Advanced Packaging.

This COVID-19 pandemic has rapidly transformed global workforce norms into a new normal comprising “Work-From-Home” and “Work-In-Office” telecommuting arrangements. The Group has benefited from this phenomenon with YoY increase in revenue recorded from our customers serving the Mobility, Communications and Information Technology segments. Optoelectronics and Power Management segments turned in very strong revenue performance for this first half-year relative to the same period last year. In first half of 2020, the global economy went through a steep economic downturn triggered by the COVID-19 pandemic and the lockdowns instituted in multiple countries. Compared with the same period last year, the effects of these developments dampened shipments to our customers serving the end-markets for Automotive and Industrial, especially in the US and the Eurozone; and for the CMOS Image Sensors (“CIS”) market.

In line with the strong global demand for high performance computing devices for data center and 5G related applications, Advanced Packaging delivered excellent results for billing performance in the first half of this year compared to the first half of last year. These bright spots combined to enable the Group to weather the global macro-economic headwinds posed by the convergence of both COVID-19 pandemic and US-China trade tensions.





CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Group Results

Group	1H 2020			Q2 2020		
		HoH	YoY		QoQ	YoY
Bookings (US\$m)	1,140.9	+19.0%	+7.4%	472.0	-29.4%	-21.6%
Revenue (US\$m)	991.6	-10.5%	+5.9%	557.4	+27.8%	+19.5%
Gross Margin	34.5%	-29 bps	-34 bps	35.2%	+169 bps	-54 bps
Net Profit (HK\$m)	390.8	-12.0%	+119.2%	365.4	+1,341.5%	+421.8%
Net Profit Margin	5.1%	-9 bps	+262 bps	8.5%	+771 bps	+652 bps

1H 2020 Group Review

Despite challenging economic conditions in the first half of 2020, the Group had delivered revenue of US\$991.6 million, which was a YoY revenue growth of 5.9% compared to the same period last year. Group bookings for the first half of the year amounted to US\$1.14 billion, representing an increase of 7.4% compared to the first half of last year. The book-to-bill ratio for the first six months of this year came in at 1.15. Group net profit was HK\$390.8 million, an increase of 119.2% over the same period last year. The Group ended the first half with a Backlog of US\$799.9 million.

During the first half of this year, the Group's top five markets consist of China (inclusive of Hong Kong) (50.5%), Europe (12.6%), Taiwan (8.6%), the Americas (8.4%) and Malaysia (5.1%). Our top five markets collectively accounted for 85.2% of the Group's revenue and 80% of the Group's revenue was attributable to 136 customers. The Group's top 20 customers came from different market segments including the world's leading telecommunication and information technology provider, Integrated Device Manufacturers, Tier-1 Outsourced Semiconductor Assembly and Test Companies ("OSATs"), major OSATs in China, camera modules manufacturers, top Electronics and Manufacturing Services providers, automotive components suppliers and leading substrate makers. Among them, four were SMT Solutions Segment customers and eight were common for the Semiconductor Solutions and SMT Solutions Segments. The Group's diverse customer base remains one of key competitive advantages that allowed us to withstand this current period of uncertainty well and eventually emerge stronger, relative to the competition.

In light of ongoing economic headwinds, the Group undertook a series of Group-wide initiatives to control cost. These included a Group-wide salary freeze, tight headcount control and close monitoring on discretionary spending. The Group's solid balance sheet provides the foundation to withstand this period of economic uncertainty and beyond.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Group Results (Continued)

Q2 2020 Group Review

The Group achieved billings of US\$557.4 million during the second quarter, representing increases of 27.8% and 19.5% for quarter-on-quarter ("QoQ") and YoY comparison respectively. This came in slightly above the mid-point of the revenue guidance of US\$500 million to US\$580 million issued in our 2020 first quarter results announcement. All three business segments had delivered both QoQ and YoY revenue growth for the second quarter. Revenue for both Semiconductor Solutions Segment and Materials Segment in particular registered double-digit percentage growth of 33.8% and 28.2% YoY respectively in the second quarter. The detailed business segment analysis would be discussed in the later parts of the announcement.

Group bookings in the second quarter amounted to US\$472.0 million, representing decreases of 29.4% and 21.6% for both QoQ and YoY respectively. The subdued bookings for Semiconductor Solutions and SMT Solutions Segment was a reflection of overall dampened business sentiments over the uncertainties triggered by the COVID-19 pandemic.

The Group delivered close to the mid-point of the Q2 gross margin guidance in its 2020 first quarter results announcement. The gross margin for the Group improved by 169 bps QoQ to 35.2% on the back of QoQ increase in gross margin for both the Semiconductor Solutions Segment and Materials Segment. Group net profit was HK\$365.4 million in the second quarter of this year which was an increase of 421.8% over the same period last year.

Semiconductor Solutions Segment Review

Semiconductor Solutions Segment	1H 2020			Q2 2020		
	HoH	YoY		QoQ	YoY	
Bookings (US\$m)	536.5	+21.7%	+14.2%	226.9	-26.7%	-8.1%
Revenue (US\$m)	473.3	-4.5%	+16.6%	279.0	+43.0%	+33.8%
Gross Margin	42.2%	+16 bps	+219 bps	42.9%	+162 bps	+211 bps
Segment Profit (HK\$m)	420.2	+17.6%	+251.8%	335.7	+297.2%	+404.3%
Segment Margin	11.4%	+215 bps	+764 bps	15.5%	+993 bps	+1,140 bps

During the second quarter of this year, billings of the Semiconductor Solutions Segment amounted to US\$279.0 million, representing increases of 43.0% and 33.8% for QoQ and YoY respectively. The Semiconductor Solutions Segment contributed 50.1% to the Group's billings during the second quarter. Billings of the Semiconductor Solutions Segment for the first six months of this year were US\$473.3 million, representing an increase of 16.6% against the same period a year ago and a slight decrease of 4.5% comparing to the preceding six months ("HoH"). The Q2 segment billings strong YoY growth was underpinned by Advanced Packaging, Optoelectronics and IC/Discrete segments. CIS had experienced a YoY decline mainly due to the soft demand for smartphones and also the high base compared to the previous year. The advanced packaging deposition tools for RDL (redistribution layer) and copper build-up applications from NEXX had delivered strong billings growth compared to the same period last year. The on-going market ramp for the High Performance Computing applications continue to drive the strong performance from NEXX. Other than NEXX, the traditional wire bonders and die bonders delivered relatively strong YoY Q2 revenue growth despite the challenging business environment.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Semiconductor Solutions Segment Review (Continued)

New order bookings for the Semiconductor Solutions Segment in the second quarter were US\$226.9 million. For the first six months of this year, the Semiconductor Solutions Segment achieved new order bookings of US\$536.5 million, representing a significant increase of 14.2% comparing to the same period last year; and a rise of 21.7% comparing to the preceding six months. The Q2 segment bookings saw a QoQ decline of 26.7%. This decline largely attributed to the high base achieved in the Q1 bookings. On the YoY basis, Q2 segment bookings saw a slight decrease of 8.1%, despite the confluence of the pandemic and trade war dampening overall business sentiment. CIS's Q2 bookings were weaker comparing to the same period last year. Advanced Packaging, Optoelectronics and IC/Discrete Q2 relatively stronger bookings helped to offset the weakness in CIS's Q2 bookings. The Q2 bookings for NEXX products remain the brightest spot in this segment with YoY booking growth of around 2x.

The Semiconductor Solutions Segment achieved gross margins of 42.9% and 42.2% during the second quarter and the first half of this year, respectively, which represented improvements of 211 bps and 219 bps YoY, respectively. This segment achieved a segment profit of HK\$335.7 million in the second quarter of this year, an increase of 404.3% YoY, and HK\$420.2 million for the first half of this year, an increase of 251.8% YoY. The gross margin for first half was driven mainly by higher volume effect, positive results from our productivity drive, product mix and continuous cost reductions in our manufacturing operations.

Materials Segment Review

Materials Segment	1H 2020			Q2 2020		
		HoH	YoY		QoQ	YoY
Bookings (US\$m)	167.3	+25.2%	+59.3%	78.4	-11.8%	+32.7%
Revenue (US\$m)	125.7	-3.2%	+15.6%	74.2	+43.2%	+28.2%
Gross Margin	13.5%	+409 bps	+250 bps	16.9%	+838 bps	+546 bps
Segment Profit (HK\$m)	73.9	+163.4%	+144.4%	58.1	+266.6%	+193.7%
Segment Margin	7.6%	+479 bps	+399 bps	10.1%	+616 bps	+569 bps

This quarter Materials Segment bookings remained at a high level although QoQ bookings declined by 11.8% after 5 consecutive quarters of QoQ booking growth. This is an indicator that the demand for semiconductor devices remain healthy. On a YoY basis, Q2 Materials Segment bookings rose by 32.7%. Over the first six months of this year, bookings of the Materials Segment amounted to US\$167.3 million. This was an improvement of 25.2% and 59.3% against the preceding six months period, and the corresponding period of last year respectively. The first half bookings for Materials Segment was a record. In the second quarter, billings of our Materials Segment amounted to US\$74.2 million, representing QoQ and YoY improvements of 43.2% and 28.2% respectively. The Materials Segment contributed 13.3% to the Group's billings during the second quarter. Billings of the Materials Segment for the six-month period amounted to US\$125.7 million, representing a decrease of 3.2% against the preceding six months and an increase of 15.6% comparing to the same period a year ago.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Materials Segment Review (Continued)

The Materials Segment achieved gross margins of 16.9% and 13.5% during the second quarter and the first half of this year, respectively, representing improvements of 546 bps and 250 bps YoY respectively. This segment achieved a segment profit of HK\$58.1 million in the second quarter, an increase of 193.7% YoY, and HK\$73.9 million in the first half of this year, an increase of 144.4% YoY. The gross margin improvement this year compared to last year for Materials Segment was underpinned by higher volume effect and discontinuation of the loss-making Molded Interconnect Substrate business in 2020.

SMT Solutions Segment Review

SMT Solutions Segment	1H 2020		Q2 2020			
	HoH	YoY	QoQ	YoY		
Bookings (US\$m)	437.1	+13.7%	-10.3%	166.6	-38.4%	-43.7%
Revenue (US\$m)	392.6	-18.7%	-6.9%	204.2	+8.0%	+2.2%
Gross Margin	31.8%	-225 bps	-409 bps	31.3%	-101 bps	-616 bps
Segment Profit (HK\$m)	285.0	-43.5%	-32.5%	158.6	+25.5%	-24.0%
Segment Margin	9.3%	-410 bps	-354 bps	10.0%	+140 bps	-346 bps

Billings of our SMT Solutions Segment amounted to US\$204.2 million in the second quarter, representing increases of 8.0% and 2.2% compared to the first quarter of this year and the same period a year ago, respectively. The SMT Solutions Segment contributed 36.6% to the Group's billings in the second quarter of this year. During the six-month period, billings of our SMT Solutions Segment were US\$392.6 million, representing decreases of 18.7% HoH and 6.9% YoY.

New order bookings for the SMT Solutions Segment in the second quarter fell by 38.4% and 43.7% QoQ and YoY, respectively. Bookings in Q2 were at US\$166.6 million. New order bookings for the first six-month period of this year amounted to US\$437.1 million, which represented an increase of 13.7% as compared to the preceding six months and a decrease of 10.3% as compared to the corresponding period of last year. As expected, bookings for the SMT Solutions Segment decreased from the high level achieved in the preceding quarter. Weak Q2 segment bookings of SMT Solutions Segment were the results of overall market weakness in Automotive and Industrial applications. Nevertheless, this segment benefitted from the 5G related investments in China in the first half of 2020. Another bright spot in this segment is System-in-Package which is expected to deliver sustained and long-term returns to the Group.

The Segment gross margins of 31.3% and 31.8% during the second quarter and first half of this year respectively were impacted by the decline in revenue for Automotive and Industrial applications market and the relatively larger China customer base that we served this year compared to last year.



CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

COVID-19 Situation Update

With the outbreak of COVID-19 in the early part of 2020, the Group formed a Group BCP (“Business Continuity Plan”) Committee to steer its global efforts in managing the COVID-19 situation with an emphasis on employee safety and business continuity. The Committee’s efforts have ensured that the Group is in compliance with local authorities’ guidelines and restrictions while helping at the same time, as a responsible corporate citizen, the communities in which we operate fight the outbreak.

In our principal manufacturing facilities in China, effectively 100% of our employees have returned to work after the lifting of various travel restrictions that had been imposed since the extended Chinese New Year holiday period. We have recovered a big portion of lost capacity in Q1 through productivity improvement and working overtime.

At the start of Q2 2020, the two primary production facilities in Malaysia and Singapore were initially affected. By the middle of May 2020, our Malaysia factory had returned to full production workforce. The Singapore government gradually re-opened business from 2 June 2020 and our workforce in Singapore continued to be on the alert to the evolving situation. In both locations, production capacity has been restored to normal levels. In countries in Europe and the USA where we have operations, there are various types of restrictions and stay-in-shelter orders. We managed to continue our business operations through a combination of flexible work arrangements. Our global production setup has also helped us manage the disruptions without impact on customer orders.

In this quarter, certain expenses of HK\$23.4 million directly related and attributable to COVID-19 event are classified as a separate line item under Other Expenses. Of these, HK\$5.0 million were attributable to staff, space and depreciation expenses that the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants. Another HK\$18.4 million concerned incremental costs incurred such as additional transport arrangements, higher freight costs and costs of procuring personal protective equipment to ensure the safety and health of our staff.

Strategic Value-added Acquisitions

The Group recorded excellent progress from businesses that it acquired over the past few years. ASM NEXX, in particular, has begun to contribute significantly to the Group’s revenue with its suite of deposition tools for Advanced Packaging. As a result, the Group is very proud to announce that ASM NEXX has the largest installation of panel plating tools serving our customers for High Performance Computing applications to date.

The Group acquired ASM AMICRA to enter the high-growth market of Silicon Photonics. Since the acquisition two years ago, ASM AMICRA has integrated well and has begun to contribute to the Group. Currently, ASM AMICRA is the market leader in the high-end packaging and assembly equipment serving the Silicon Photonics application. The Group has confidence that ASM AMICRA is in a prime position to capture demands for data center bandwidth growth and next generation 5G infrastructure deployments for data and telecommunication networks.

The Group took a major step towards its vision of “Enabling the Digital World” when it made a strategic investment in a leading modern Manufacturing Execution Systems (“MES”) provider, Critical Manufacturing, two years ago. Recently, the Group made another strategic investment, SKT Max, a Shenzhen-based company to further complement Critical Manufacturing. SKT Max is a well-established Manufacturing Execution System solutions company with a strong presence in mainland China. This latest strategic investment of SKT Max has reinforced the Group’s position in the China MES market.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Riding On Global Trends

In China, there is unabated momentum from local companies to localize their production amid escalating US-China trade tensions. This trend toward China localization is further supported by regional and central government policies. The Group stands to benefit from this trend with its strong network in China.

The deployment of 5G infrastructure and the conversion from 4G to 5G smartphones will be a multi-country and multi-year growth story. This long-term growth story will lead to significant demand for semiconductor chips. The Group's comprehensive product and solutions portfolio will allow the Group to directly benefit from this worldwide 5G roll-out.

Over the longer-term time horizon, innovations enabled by 5G, such as Augmented and Virtual Reality ("AR/VR"), autonomous vehicles, Internet of Things ("IoT") and Artificial Intelligence ("AI") will be the cornerstone of global social and economic activities. The confluence of these innovations will drive up the demand for semiconductors exponentially. In similar fashion, the Group stands to benefit directly from this global trend.

With the advent of an AI-enabled world globally, the usual Moore's Law — continuous shrinking and packing more and more transistors into chipsets — will be unsustainable. Advanced Packaging and Heterogeneous Integration are the answers to the limitations imposed by Moore's Law. As such, there is a shift of value-add within the semiconductor equipment ecosystem from the front-end to the back-end to overcome limitations.

The Group's well-timed investments in Advanced Packaging will enable it to ride multi-year upside growth in this segment. The Group is already beginning to enjoy the benefits from this segment. Other than ASM NEXX, the Group's Thermo Compression Bonding solutions have the largest installed base and the Group is very confident that it can continue to expand its product portfolio to further capture this multi-year growth opportunity.

Emerging and Disruptive Technologies

Another imperative in the Group's corporate strategy is to identify and seize the opportunity to invest in today's emerging and disruptive technology startups for tomorrow's lead in the marketplace.

The Group made two such strategic investments in the past. In 2019, the Group invested in a 3D laser printing company based in Israel whose cutting-edge technology could potentially disrupt a part of the SMT printing market. One year earlier in 2018, the Group invested in a Silicon Valley startup whose technology allows high speed X-ray inspection of advanced semiconductor packages (up to a 100X faster vs conventional X-ray, using proprietary technology). This is expected to provide the industry's 'production speed' auto X-ray inspection for Advanced Packaging. For both of these strategic investments, the Group is working closely with their management to leverage the Group's resources to accelerate their growth.

These forward-looking investments will accelerate the Group's access to innovation that can be integrated into our product portfolio offerings in the near future. The Group will continue to look out for complementary disruptive and emerging technologies that will support the Group's long-term strategic roadmap.



CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Reinforcing The Group's Competitive Advantage

The Group continues to invest a significant portion of its annual revenue in Research and Development ("R&D"). These R&D investments are the bedrock for maintaining the Group's competitive advantage over the competition and also strengthening its leadership in a number of markets.

Specifically, the Group has established significant market leadership positions in:

- **CIS** — As camera technology, 3D sensing and multiple cameras continue to be the key selling points for smartphones, the Group is well-poised to capture this increasing demand;
- **Advanced Packaging** — The proliferation of advanced logic, AI, high performance computing and 5G-driven applications will drive demand for the Group's suite of Advanced Packaging tools; and
- **Power Management Semiconductor** — This is used in a wide array of applications for mobile devices, consumer goods, industrial and automotive.

The Group is poised for market leadership position in the following emerging markets by establishing first-mover advantage:

- **Silicon Photonics** — The Group is in the leading position for Silicon Photonics with ASM AMICRA.
- **Industrial Internet of Things** — On top of the investments in Critical Manufacturing and SKT Max, the Group is currently collaborating with SAS, a world renowned advanced analytics company to jointly develop and promote a smart solution that will help semiconductor and electronics manufacturers capture, analyze and utilize high volumes of data and apply sophisticated analytics to analyze risk, optimize processes and predict failure.
- **Mini and Micro LED Solutions** — The Group's continued investments in mass-bonding and other technologies in this segment will ensure that it will be the first in line and continue to lead and capture demand for devices that require mini or micro LED, such as those used in indoor and outdoor displays, smart watches and AR/VR.
- **System-in-Package ("SiP") (SMT Advanced Packaging)** — The Group has identified this area as the fastest growing business within the SMT Solutions Segment. The vast adoption of advanced SiP in Radio Frequency ("RF") modules in smartphones has been the key driver. With 5G and IoT, more wearables and communication devices feature more compact designs with ever more intense miniaturization, giving rise to increased SiP adoption. Today, the Group is the market leader and winning in the marketplace as our customers acknowledge that our product platforms deliver superior results to their operations. The Group is confident that it will continue to benefit from the SiP business as it is supported by long-term global trends.
- **Automated Optical Inspection** — The Group's unwavering focus on this segment will enable the Group to enjoy the potential surge in demand from CIS and Automotive customers for inspection of foreign particles and bonding quality.

CHAIRMAN'S STATEMENT (CONTINUED)

REVIEW (Continued)

Reinforcing The Group's Competitive Advantage (Continued)

- **Hybrid Bonding Solutions** — The Group is pleased to announce that it is collaborating in leading edge technology with a number of industry leaders — one of them being IBM Research — to develop and deliver industry-leading Hybrid Bonding solutions to support complex AI chips. These frontier-focused joint-developments with key technology leaders will ensure that the Group continues to be the leader within the semiconductor ecosystem.

Overall, the Group's enhanced and broadening product portfolio is key to driving not just its business momentum but also its ability to diversify and balance out segmental cyclical risk. The Group is poised to take advantage of all these new developments as it has created an unparalleled products and solutions portfolio through a combination of internal development, investments and acquisitions over the past few years. The Group has a resilient and balanced portfolio of businesses, strong capabilities and leading market position in these fast growing markets.

RESEARCH AND DEVELOPMENT

ASMPT has an unwavering belief in investing in research and development with the objective of remaining at the forefront of technological innovations.

Our strategy reinforces our ability to deliver the best innovative products with differentiated value propositions to our customers. During the past six months, we invested 11.7% of our equipment revenue in R&D. Customers have benefitted from ASMPT's depth and breadth of enabling technologies, strong financial resources and excellent infrastructure support.

Research and development expenses for the year-to-date were HK\$786.5 million. To date, the Group has obtained more than 1,400 patents on leading-edge technologies.

As of 30 June 2020, the Group operates 10 research and development centres worldwide, namely, in Taoyuan, Hong Kong and Chengdu (China), Singapore, Regensburg and Munich (Germany), Weymouth (United Kingdom), Beuningen (The Netherlands), Porto (Portugal) and Billerica (the United States), with a total of over 2,000 R&D employees.

LIQUIDITY AND FINANCIAL RESOURCES

Return on sales was 7.1% for the six-month period of this year (1H 2019: 5.9%). Annualized return on capital employed and on invested capital for the past six months were 7.9% and 9.2% respectively (1H 2019: 6.0% and 4.5%, respectively).

Inventory balance as of 30 June 2020 was HK\$6.66 billion, as compared with HK\$6.29 billion as of 31 December 2019. Our annualized inventory turn was 2.38 times (1H 2019: 2.17 times).

Cash and bank deposits as of 30 June 2020 were HK\$3.59 billion, which was HK\$1.26 billion higher than 31 December 2019. Capital expenditure during the period amounted to HK\$121.6 million (1H 2019: HK\$367.1 million), which was fully funded by the depreciation and amortization of HK\$308.1 million (1H 2019: HK\$308.7 million), excluding the depreciation of right-of-use assets of HK\$107.9 million due to the application of HKFRS 16. Day sales outstanding decreased to 89.8 days from 99.0 days in the 1H 2019.



CHAIRMAN'S STATEMENT (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

As of 30 June 2020, the current ratio of the Group was 2.53 (31 December 2019: 3.02), with a debt-equity ratio of 31.9% (debts included all bank borrowings and obligations under finance leases) (31 December 2019: 26.2%). The Group had available banking facilities of HK\$1.48 billion as at 30 June 2020 (31 December 2019: HK\$2.25 billion) in the form of bank loans and overdraft facilities. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in Hong Kong dollars, US dollars and Euros.

As of 30 June 2020, the Group had bank borrowings of HK\$3.69 billion (31 December 2019: HK\$3.04 billion). The bank borrowings are mainly repayable by instalments pursuant to the relevant repayment schedules up to 2024 and an insignificant portion is fixed-rate borrowings.

A syndicated loan of HK\$2.5 billion was arranged to finance the redemption of the convertible bonds in March 2019, and it is a variable-rate borrowing. The repayment of the syndicated loan will commence from March 2022 to 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 portion of the syndicated loan from the variable rate to fixed rates. The Group shareholders' funds were HK\$11.58 billion as at 30 June 2020 (31 December 2019: HK\$11.63 billion).

As of 30 June 2020, cash holdings of the Group were mainly in US dollars, Euros and Chinese renminbi. The Group's SMT Solutions Business segment entered into US dollars and Euros hedging contracts to mitigate the foreign currency risks as a significant portion of the production of SMT equipment and its suppliers are located in Europe while a substantial part of the Group's revenue for SMT equipment was denominated in US dollars.

In terms of currency exposure, the Group was moderately exposed. The majority of our sales were denominated in US dollars, Euros and Chinese renminbi. On the other hand, disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese renminbi.

Although the Group is committed to paying dividends that are sustainable and gradually increasing over time while maintaining an optimal capital structure, given the current macroeconomic uncertainties created by COVID-19 pandemic, the Board recommends an interim dividend of HK\$0.70 per share, which represents a payout ratio of 74%.

HUMAN RESOURCES

As of 30 June 2020, the total headcount for the Group globally was approximately 14,900 employees, which included 1,000 temporary, short-term contracted and outsourced employees. Our employees, being our greatest assets, form the bedrock of the Group and it is important to nurture and retain the right talents through various schemes and motivations to help our employees build and strengthen their competencies.

Besides offering competitive remuneration packages and other benefits such as contributions to provident fund schemes and medical benefits, the Group is committed to providing regular and extensive training programs to equip our employees to be future-ready. Discretionary bonuses and incentive shares were also granted to eligible employees based on the Group's financial results and individual performance.

The total manpower cost of the Group for the first six months of 2020 was HK\$2.26 billion, as compared with HK\$2.28 billion during the same period of 2019.

CHAIRMAN'S STATEMENT (CONTINUED)

HUMAN RESOURCES (Continued)

This year, the Board granted a total of 2,258,300 incentive shares to around 1,600 employees. The vesting period of these incentive shares will end on 15 December 2020.

OUTLOOK

The International Monetary Fund ("IMF") had revised downwards the global full year 2020 growth projections from -3.0% to -4.9% during their June 2020 review. For the second half of 2020, the threat of another wave of infection for COVID-19 and the continued fallout from the worsening US-China tension will remain major concerns globally. In light of the uncertainties in the macro environment, we would not provide guidance for bookings. For revenue, we anticipate revenue for Q3 2020 to be in the range of US\$480 million to US\$560 million which takes into account the subdued demand for Automotive and weakness in the Eurozone demand.

Despite the uncertainties in the second half of 2020, the Group expects continued demand from Chinese manufacturers to localize their supply chains, accelerated deployment of 5G infrastructure and good progress the Group is making on capturing new market opportunities such as Advanced Packaging, Silicon Photonics, Industrial Internet of Things, mini and micro LED solutions, Power semiconductors and Industry 4.0 solutions to help deliver long term sustainable value to our shareholders.

Orasa Livasiri

Chairman

28 July 2020



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 17 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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
28 July 2020



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	7,701,537	7,274,789
Cost of sales		(5,047,435)	(4,742,687)
Gross profit		2,654,102	2,532,102
Other income		66,687	29,194
Selling and distribution expenses		(753,090)	(754,115)
General and administrative expenses		(473,408)	(456,436)
Research and development expenses		(786,460)	(829,002)
Other gains and losses	5	(28,682)	(25,307)
Other expenses	6	(87,248)	—
Finance costs	7	(79,659)	(127,825)
Profit before taxation		512,242	368,611
Income tax expense	8	(121,460)	(190,342)
Profit for the period		390,782	178,269
Profit (loss) for the period, attributable to:			
Owners of the Company		389,372	179,487
Non-controlling interests		1,410	(1,218)
		390,782	178,269
Earnings per share	10		
— Basic		HK\$0.95	HK\$0.44
— Diluted		HK\$0.95	HK\$0.44

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit for the period	390,782	178,269
Other comprehensive expense		
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	(152,306)	(51,387)
Fair value loss on hedging instruments designated as cash flow hedges, which may be reclassified subsequently to profit or loss	(38,654)	—
Other comprehensive expense for the period	(190,960)	(51,387)
Total comprehensive income for the period	<u>199,822</u>	<u>126,882</u>
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	199,015	128,992
Non-controlling interests	807	(2,110)
	<u>199,822</u>	<u>126,882</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>NOTES</i>	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	2,716,824	2,916,415
Right-of-use assets	<i>11</i>	1,534,122	1,632,626
Investment property		51,960	53,645
Goodwill		1,042,359	1,047,851
Intangible assets		1,135,693	1,190,072
Other investments		99,664	93,471
Deposits paid for acquisition of property, plant and equipment		140,012	92,888
Rental deposits paid		26,822	32,888
Deferred tax assets		450,968	384,624
Other non-current assets		18,136	19,979
		<u>7,216,560</u>	<u>7,464,459</u>
Current assets			
Inventories		6,655,924	6,291,276
Trade and other receivables	<i>12</i>	4,298,223	4,710,170
Derivative financial instruments		11,943	3,482
Income tax recoverable		79,537	49,604
Bank deposits with original maturity of more than three months		9,021	9,053
Bank balances and cash		3,580,050	2,317,543
		<u>14,634,698</u>	<u>13,381,128</u>
Current liabilities			
Trade liabilities and other payables	<i>13</i>	2,735,517	2,670,411
Advance payments from customers		1,258,212	861,766
Derivative financial instruments		41,648	9,295
Lease liabilities		178,852	188,633
Provisions	<i>14</i>	301,070	283,696
Income tax payable		81,976	97,134
Bank borrowings	<i>15</i>	1,192,136	321,364
		<u>5,789,411</u>	<u>4,432,299</u>
Net current assets		<u>8,845,287</u>	<u>8,948,829</u>
		<u>16,061,847</u>	<u>16,413,288</u>



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	<i>NOTES</i>	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Capital and reserves			
Share capital	16	40,889	40,889
Dividend reserve		286,227	286,227
Other reserves		11,247,783	11,301,200
Equity attributable to owners of the Company		11,574,899	11,628,316
Non-controlling interests		4,183	3,376
Total equity		11,579,082	11,631,692
Non-current liabilities			
Lease liabilities		1,278,016	1,362,169
Retirement benefit obligations		240,289	260,551
Provisions	14	53,423	53,024
Bank borrowings	15	2,501,302	2,722,118
Deferred tax liabilities		254,934	233,788
Other liabilities and accruals		154,801	149,946
		4,482,765	4,781,596
		16,061,847	16,413,288

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020

	Attributable to owners of the Company														Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000 (note 17)	Shares held for share award scheme HK\$'000 (note 17)	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Other reserve HK\$'000 (Note)	Convertible bonds equity reserve HK\$'000	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Sub-total HK\$'000		Attributable to non- controlling interests HK\$'000
At 1 January 2019	40,667	1,346,343	38,789	—	760	72,979	—	(15,570)	250,249	—	(550,090)	10,373,871	569,340	12,127,338	(6,893)	12,120,445
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	619,249	—	619,249	3,129	622,378
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	—	—	—	—	—	—	—	—	—	—	(119,337)	—	—	(119,337)	(2,078)	(121,415)
Remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	—	—	—	—	—	—	—	—	—	—	—	(55,916)	—	(55,916)	—	(55,916)
Fair value gain on investments in equity instruments at fair value through other comprehensive income, which will not be reclassified to profit or loss	—	—	—	—	—	—	8,020	—	—	—	—	—	—	8,020	—	8,020
Total comprehensive income (expense) for the year	—	—	—	—	—	—	8,020	—	—	—	(119,337)	563,333	—	452,016	1,051	453,067
Sub-total	40,667	1,346,343	38,789	—	760	72,979	8,020	(15,570)	250,249	—	(669,427)	10,937,204	569,340	12,579,354	(5,842)	12,573,512
Recognition of equity-settled share-based payments	—	—	196,039	—	—	—	—	—	—	—	—	—	—	196,039	—	196,039
Arising on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	(15,019)	—	—	—	—	—	(15,019)	9,218	(5,801)
Purchase of shares under the Initial Scheme*	—	—	—	(34,045)	—	—	—	—	—	—	—	—	—	(34,045)	—	(34,045)
Shares vested under the Initial Scheme*	—	—	(39,820)	33,913	—	—	—	—	—	—	—	5,907	—	—	—	—
Shares issued under the Initial Scheme*	222	194,786	(195,008)	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption of convertible bonds	—	—	—	—	—	—	—	—	(250,249)	—	—	250,249	—	—	—	—
2018 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	(569,340)	(569,340)	(569,340)	—	(569,340)
2019 interim dividend paid	—	—	—	—	—	—	—	—	—	—	—	(528,673)	(528,673)	(528,673)	—	(528,673)
2019 final dividend proposed	—	—	—	—	—	—	—	—	—	—	—	(286,227)	286,227	—	—	—
At 31 December 2019 and 1 January 2020 (audited)	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 New Scheme*	—	—	—	(26,335)	—	—	—	—	—	—	—	—	—	(26,335)	—	(26,335)
2019 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	(286,227)	(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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020

	Equity attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000 (note 17)	Shares held for share award scheme HK\$'000 (note 17)	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000 (Note)	Convertible bonds equity reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019	40,667	1,346,343	38,789	—	760	72,979	(15,570)	250,249	(550,090)	10,373,871	569,340	12,127,338	(6,893)	12,120,445
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	179,487	—	179,487	(1,218)	178,269
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	—	—	—	—	—	—	—	—	(50,495)	—	—	(50,495)	(892)	(51,387)
Total comprehensive (expense) income for the period	—	—	—	—	—	—	—	—	(50,495)	179,487	—	128,992	(2,110)	126,882
Sub-total	40,667	1,346,343	38,789	—	760	72,979	(15,570)	250,249	(600,585)	10,553,358	569,340	12,256,330	(9,003)	12,247,327
Recognition of equity-settled share-based payments	—	—	78,600	—	—	—	—	—	—	—	—	78,600	—	78,600
Purchase of shares under the Initial Scheme*	—	—	—	(34,045)	—	—	—	—	—	—	—	(34,045)	—	(34,045)
Arising on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	(15,019)	—	—	—	—	(15,019)	9,218	(5,801)
Redemption of convertible bonds	—	—	—	—	—	—	(250,249)	—	—	250,249	—	—	—	—
2018 final dividend paid	—	—	—	—	—	—	—	—	—	(569,340)	(569,340)	—	—	(569,340)
2019 interim dividend declared after end of interim period	—	—	—	—	—	—	—	—	—	(528,673)	528,673	—	—	—
At 30 June 2019 (unaudited)	40,667	1,346,343	117,389	(34,045)	760	72,979	(30,589)	—	(600,585)	10,274,934	528,673	11,716,526	215	11,716,741

* As defined and detailed in note 17

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 during the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	NOTE	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash generated from operations		1,553,149	1,791,501
Income taxes paid		(216,416)	(253,153)
Net cash from operating activities		1,336,733	1,538,348
Net cash used in investing activities			
Deposits paid for acquisition of property, plant and equipment		(140,012)	(33,224)
Purchase of property, plant and equipment		(70,367)	(325,269)
Net cash outflow arising on acquisition of subsidiaries		(29,489)	(28,302)
Other investing cash flows		235	32,636
		(239,633)	(354,159)
Net cash from (used in) financing activities			
Dividends paid		(286,227)	(569,340)
Bank borrowings raised	15	757,851	2,500,000
Repayment of bank borrowings	15	(111,991)	(393,935)
Payment on redemption of convertible bonds		—	(2,250,000)
Payment of lease liabilities		(93,784)	(90,722)
Other financing cash flows		(75,552)	(112,316)
		190,297	(916,313)
Net increase in cash and cash equivalents		1,287,397	267,876
Cash and cash equivalents at beginning of the period		2,317,543	2,240,022
Effect of foreign exchange rate changes		(24,890)	(8,283)
Cash and cash equivalents at end of the period, represented by bank balances and cash		3,580,050	2,499,615



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2019.

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) 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 new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019.

In addition, the Group has applied the following accounting policy for hedging instrument recognized during the current interim period.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**Hedge accounting (Continued)***Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current 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.

2.1 Impacts of application on Amendments to Hong Kong Accounting Standard ("HKAS") 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform"**2.2.1 Accounting policies****Hedge accounting**

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**Application of new and amendments to HKFRSs (Continued)****2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 “Interest Rate Benchmark Reform” (Continued)****2.2.1 Accounting policies (Continued)****Hedge accounting (Continued)****Cash flow hedges**

For the purpose of reclassifying the cumulative gain or loss recognized in hedging reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 June 2020

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 2020

3. SEGMENT INFORMATION

The Group has three (2019: three) operating segments: development, production and sales of (1) semiconductor solutions (formerly known as back-end equipment), (2) surface mount technology solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2019: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income and other losses, unallocated net foreign exchange loss and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, unallocated adjustment on contingent consideration for an acquisition and other expenses.

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment revenue from external customers		
Semiconductor solutions	3,676,203	3,154,010
Surface mount technology solutions	3,049,307	3,276,591
Materials	976,027	844,188
	<u>7,701,537</u>	<u>7,274,789</u>
Segment profit		
Semiconductor solutions	420,202	119,433
Surface mount technology solutions	284,979	422,223
Materials	73,923	30,249
	<u>779,104</u>	571,905
Interest income	10,697	12,144
Finance costs	(79,659)	(127,825)
Unallocated other income and other losses	(5,307)	954
Unallocated net foreign exchange loss and fair value change of foreign currency forward contracts	(24,117)	(40,772)
Unallocated general and administrative expenses	(81,228)	(60,728)
Unallocated adjustment on contingent consideration for an acquisition	—	12,933
Other expenses	(87,248)	—
	<u>512,242</u>	<u>368,611</u>
Profit before taxation	<u>512,242</u>	<u>368,611</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

3. SEGMENT INFORMATION (Continued)**Segment revenue and results (Continued)**

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.

Geographical analysis of revenue by location of customers

	Revenue from external customers Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Mainland China	3,391,398	2,925,505
Europe	967,190	1,329,508
— Germany	263,477	477,702
— Hungary	91,020	112,550
— Austria	78,430	75,836
— Romania	60,582	63,363
— France	49,009	72,667
— Others	424,672	527,390
Taiwan	660,622	338,567
Americas	644,770	581,724
— United States of America	434,776	401,003
— Mexico	109,001	89,737
— Canada	8,901	45,696
— Others	92,092	45,288
Hong Kong	497,408	337,029
Malaysia	391,608	467,535
Japan	337,589	86,050
Korea	232,161	208,539
Thailand	219,004	211,967
Vietnam	128,907	441,036
Philippines	123,339	189,052
Singapore	56,683	81,884
Others	50,858	76,393
	<u>7,701,537</u>	<u>7,274,789</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	253,624	248,195
Depreciation for right-of-use assets	107,903	107,485
Depreciation for investment property	652	677
Amortization for intangible assets	50,741	57,584
Government grants (included in other income)	(48,605)	(8,759)

5. OTHER GAINS AND LOSSES

During the period, included in other gains and losses are mainly net gain on disposal/write-off of property, plant and equipment of HK\$1.5 million (for the six months ended 30 June 2019: HK\$2.6 million), net foreign exchange loss and fair value change of foreign currency forward contracts of HK\$24.1 million (for the six months ended 30 June 2019: HK\$40.8 million) and adjustment on contingent consideration for an acquisition of HK\$nil (for the six months ended 30 June 2019: HK\$12.9 million).

6. OTHER EXPENSES

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Restructuring costs	2,513	—
Other expenses (<i>Note</i>)	84,735	—
	87,248	—

Note: During the period, certain expenses of HK\$84.7 million directly related and attributable to COVID-19 event are classified as a separate line item under other expenses. Of these, HK\$52.7 million were attributable to staff, space and depreciation expenses which the Group had to bear even though the affected plants were not operational in compliance with the respective government mandated closure of the plants and another HK\$32.0 million were incremental costs incurred such as additional transport arrangements, higher freight costs and costs of procuring personal protective equipment to ensure the safety and health of our staff.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

7. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank borrowings	45,871	36,276
Interest on convertible bonds	—	35,951
Interest on lease liabilities	26,062	28,731
Others	7,726	26,867
	<u>79,659</u>	<u>127,825</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The charge (credit) comprises:		
Current tax:		
Hong Kong	12,740	22,318
PRC Enterprise Income Tax	38,092	14,673
Other jurisdictions	<u>125,568</u>	<u>154,188</u>
	176,400	191,179
(Over)underprovision in prior years	<u>(7,367)</u>	<u>59,116</u>
	169,033	250,295
Deferred tax credit	<u>(47,573)</u>	<u>(59,953)</u>
	<u>121,460</u>	<u>190,342</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

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%. Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

- (b) Under the Law of the People’s Republic of China (the “PRC”) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group’s subsidiaries in the PRC is 25% for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 25%), except for ASM Technology China Limited (“ATC”). On 28 October 2015, ATC was recognized as an advanced technology service enterprise (“ATSE”) by the Chengdu Science and Technology Bureau for a period of 3 years, i.e. from 2015 to 2017. ATC passed the ATSE re-assessment launched by Sichuan Science and Technology Bureau in May 2018 and obtained a new ATSE Certificate in July 2018. According to the tax circular Caishui [2017] No. 79 (for the six months ended 30 June 2019: 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 new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods. ATS and EDB are currently in discussion to terminate the PC.

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 fulfillment of certain criteria during the relevant period.

Income of ATS arising from activities not covered under the IHA incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (for the six months ended 30 June 2019: 17%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

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 2019: 15.00%) plus 5.50% (for the six months ended 30 June 2019: 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 14.192% to 17.150% (for the six months ended 30 June 2019: 14.380% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 30.017% and 32.975% (for the six months ended 30 June 2019: between 30.210% 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.

The Group received letters from the Hong Kong Inland Revenue Department (the "HKIRD") in prior years seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to significant additional tax being charged on profits from some overseas subsidiaries in respect of source of income as concerned that have not previously been included in the scope of charge for Hong Kong Profits Tax or significant tax adjustments to companies currently subject to Hong Kong Profits Tax.

Based on professional advice that the Company has sought, the Group considered that it would be more beneficial for the Group from a commercial perspective to settle the tax dispute with the HKIRD on a compromised approach. In this regards, the Group submitted via its tax advisor a settlement proposal to the HKIRD. The HKIRD accepted the settlement proposal and issued revised assessment for the years of assessment 2000/01 to 2017/18 in December 2019.

In the settlement proposal, key tax adjustments are: i) certain profits earned offshore by the subsidiaries were demand as profits arising in or derived from Hong Kong; and ii) notwithstanding that the profits earned by the Hong Kong subsidiaries should be at least accepted as arm's length from transfer pricing perspective, additional profits were deemed to be earned by Hong Kong subsidiaries; iii) deductions on prescribed fixed assets and depreciation allowances on fixed assets used in China manufacturing sites were disallowed. During the year ended 31 December 2019, additional tax reserve certificates amounting to HK\$20.3 million were purchased and HK\$397.6 million were utilized by offsetting the tax liabilities. As at 31 December 2019, the remaining balance amounted to HK\$3.8 million as disclosed in note 12 has been refunded by the HKIRD during the period ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

9. DIVIDENDS

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Dividend recognized as distribution during the period		
Final dividend for 2019 paid of HK\$0.70 (2019: final dividend for 2018 paid of HK\$1.40) per share on 408,895,533 (2019: 406,671,333) shares	<u>286,227</u>	<u>569,340</u>
Dividend declared after the end of the interim reporting period		
Interim dividend for 2020 of HK\$0.70 (2019: HK\$1.30) per share on 408,895,533 (2019: 406,671,333) shares	<u>286,227</u>	<u>528,673</u>

The dividend declared after 30 June 2020 will be paid to the shareholders of the Company whose names appear on the Register of Members on 19 August 2020.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	<u>389,372</u>	<u>179,487</u>

	Number of shares (in thousands) Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	408,799	406,554
Effect of dilutive potential shares:		
— New/Initial Employee Share Incentive Scheme	<u>511</u>	<u>883</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>409,310</u>	<u>407,437</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

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

During the period, the Group incurred HK\$119.1 million (for the six months ended 30 June 2019: HK\$365.8 million) and HK\$40.2 million (for the six months ended 30 June 2019: HK\$67.1 million) on the acquisition of property, plant and equipment and the addition of right-of-use assets, respectively.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade receivables (<i>Note</i>)	3,800,710	4,324,297
Value added tax recoverable	240,874	198,590
Tax reserve certificate recoverable	—	3,828
Other receivables, deposits and prepayments	256,639	183,455
	<u>4,298,223</u>	<u>4,710,170</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 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Not yet due (<i>Note</i>)	2,815,049	2,947,345
Overdue within 30 days	406,178	579,536
Overdue within 31 to 60 days	206,053	388,540
Overdue within 61 to 90 days	112,801	91,654
Overdue over 90 days	260,629	317,222
	<u>3,800,710</u>	<u>4,324,297</u>

Note: The amount included notes receivables amounting to HK\$700,759,000 (31 December 2019: HK\$778,536,000).

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 more.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

13. TRADE LIABILITIES AND OTHER PAYABLES

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade payables	1,653,698	1,406,438
Deferred income (<i>Note</i>)	92,879	104,991
Accrued salaries and wages	281,033	294,719
Other accrued charges	425,930	475,557
Payables arising from acquisition of property, plant and equipment	98,059	139,421
Contingent consideration for an acquisition	—	29,489
Other payables	183,918	219,796
	<u>2,735,517</u>	<u>2,670,411</u>

Note: 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.

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 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Not yet due	1,165,930	1,145,346
Overdue within 30 days	198,770	165,684
Overdue within 31 to 60 days	145,311	53,644
Overdue within 61 to 90 days	62,181	22,238
Overdue over 90 days	81,506	19,526
	<u>1,653,698</u>	<u>1,406,438</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 2020

14. PROVISIONS

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Current	301,070	283,696
Non-current	53,423	53,024
	<u>354,493</u>	<u>336,720</u>

The Group's provisions mainly comprise warranty provision of HK\$272,855,000 (31 December 2019: HK\$251,366,000). The movements of the warranty provision and restructuring provision are as follows:

	Warranty provision HK\$'000	Restructuring provision HK\$'000
At 1 January 2019 (audited)	329,783	3,909
Currency realignment	(7,600)	79
Additions	140,240	41,777
Utilization	(211,057)	(10,507)
	<u>251,366</u>	<u>35,258</u>
At 31 December 2019 (audited)	251,366	35,258
Currency realignment	(2,709)	(1,156)
Additions	101,371	2,513
Utilization	(77,173)	(4,458)
	<u>272,855</u>	<u>32,157</u>
At 30 June 2020 (unaudited)	<u>272,855</u>	<u>32,157</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. A hearing for the assessment of damages scheduled in the High Court for the second half of May 2020 has been vacated, and new hearing dates will be provided in due course.

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. At this stage, the subsidiary's external lawyers have advised that no reasonable assessment of the said consultant report can be made yet.

Based on the directors' estimate of the expenditure required to settle the Group's obligations, a provision of approximately HK\$14,600,000 (31 December 2019: HK\$14,600,000) was made.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

15. BANK BORROWINGS

At 30 June 2020, the bank borrowings bear fixed-rate interest or interest at London Interbank Offered Rate or Hong Kong Interbank Offered Rate plus a margin per annum, at an effective interest rate from 0.80% to 2.75% (31 December 2019: from 0.80% to 3.77%) per annum. During the six months ended 30 June 2020, the Group obtained new bank borrowings amounting to HK\$757,851,000 (for six months ended 30 June 2019: HK\$2,500,000,000) and repaid bank borrowings of HK\$111,991,000 (for six months ended 30 June 2019: HK\$393,935,000).

16. 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 2019	406,671	40,667
Shares issued under the Initial/New Employee Share Incentive Scheme	<u>2,224</u>	<u>222</u>
At 31 December 2019 and 30 June 2020	<u><u>408,895</u></u>	<u><u>40,889</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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

17. SHARE-BASED PAYMENTS**Initial Scheme**

The Initial Employee Share Incentive Scheme (the “Initial Scheme”) adopted for the benefit of the Group’s employees and members of management started from March 1990, and was valid until 23 March 2020.

In 28 March 2012, and by virtue of the Initial Scheme, a Share Award Scheme (“Share Award Scheme”) was adopted by the Company to establish a trust to purchase shares of the Company for the benefit of employees and the directors of the Group under the Initial Scheme (“Award Shares”). The Share Award Scheme is valid and effective until 23 March 2020. Pursuant to the rules of the Share Award Scheme, the Company has appointed a trustee, Law Debenture Trust (Asia) Limited (“Trustee”) to administer the Share Award Scheme and to purchase and hold the Award Shares in trust for the grantees during the defined qualification period.

On 27 March 2019, the directors resolved to contribute HK\$53.6 million to the Initial Scheme, enabling the Trustee of the Initial Scheme to subscribe or purchase 1,946,900 shares in the Company for the benefits of certain employees and members of the management of the Group who shall remain in employment within the Group upon the expiration of the qualification period on 16 December 2019. On 23 May 2019, the directors also resolved to instruct the Trustee to purchase 386,400 shares at market price as soon as practicable on the Stock Exchange pursuant to the Share Award Scheme, which was adopted by the Company to establish a trust to purchase shares of the Company for the benefit of employees and the directors of the Company and its subsidiaries under the Initial Scheme.

On 16 December 2019, out of 2,668,700 shares relating to the qualification period which expired on that day (comprising 243,900 shares, 477,900 shares and 1,946,900 shares as resolved by the Board on 17 March 2017, 23 March 2018 and 27 March 2019 to be granted pursuant to the Initial Scheme respectively), 2,224,200 shares were issued, 58,100 share entitlements were forfeited and unallocated by the Company. The 384,900 shares purchased under the Share Award Scheme vested on the same day. 1,500 shares that were not vested will continue to be held by the Trustee of the Share Award Scheme in trust.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

17. SHARE-BASED PAYMENTS (Continued)**New Scheme**

At the annual general meeting of the Company held on 7 May 2019, the shareholders approved the adoption of a New Employee Share Incentive Scheme (the “New Scheme”) with a life of 10 years up to 23 March 2030, which replaced and superseded the existing Scheme on 24 March 2020. Details of the New Scheme were set out in the circular to the shareholders dated 1 April 2019.

On 25 March 2020, the directors resolved to contribute HK\$183 million to the New Scheme, enabling the Trustee of the New Scheme to subscribe or purchase 2,258,300 shares in the Company for the benefits of certain employees and members of the management of the Group who shall remain in employment within the Group upon the expiration of vesting period on 15 December 2020.

The fair value of shares granted pursuant to the Scheme in 2019 and 2020 was determined with reference to the market value of the shares at the grant date excluding dividends, as employees are not entitled to receive dividends paid during the qualification/vesting periods.

The Group recognized share-based payments for the six months ended 30 June 2020 amounting to HK\$60,130,000 (for the six months ended 30 June 2019: HK\$78,600,000) in relation to the shares granted pursuant to the Initial/New Scheme by the Company, such amount being determined by the fair value of the shares granted at the grant date.

Movement of the shares granted to employees and members of the management of the Group under the New Scheme during the period ended 30 June 2020 are as follows:

Date of grant	Vesting period	Number of shares			
		At 1 January 2020 (Audited)	Granted on 25 March 2020	Allocated as Award Shares during the period	At 30 June 2020 (Unaudited)
25 March 2020	25 March 2020 to 15 December 2020	—	2,258,300	(331,800)	1,926,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

17. SHARE-BASED PAYMENTS (Continued)**New Scheme (Continued)**

Movement of the shares granted to employees and members of the management of the Group under the Initial Scheme during the year ended 31 December 2019 are as follows:

Date of grant	Vesting period	Number of shares					At 31 December 2019 (Audited)
		At 1 January 2019 (Audited)	Granted on 27 March 2019	Allocated as Award Shares during the year	Shares issued on 16 December 2019	Shares entitlement forfeited on 16 December 2019	
17 March 2017	17 March 2017 to 16 December 2019	243,900	—	(120,700)	(119,500)	(3,700)	—
23 March 2018	23 March 2018 to 16 December 2019	477,900	—	(249,400)	(221,800)	(6,700)	—
27 March 2019	27 March 2019 to 16 December 2019	—	1,946,900	(16,300)	(1,882,900)	(47,700)	—
		<u>721,800</u>	<u>1,946,900</u>	<u>(386,400)</u>	<u>(2,224,200)</u>	<u>(58,100)</u>	<u>—</u>

Note: Movement of Award Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK\$'000
At 1 January 2019 (audited)	—	—
Shares purchased from the market during the year	386	34,045
Award Shares vested	(385)	(33,913)
At 31 December 2019 and 1 January 2020 (audited)	1	132
Shares purchased from the market during the period	330	26,335
At 30 June 2020 (unaudited)	<u>331</u>	<u>26,467</u>

18. RELATED PARTY TRANSACTIONS**Compensation of key management personnel**

During the period, the emoluments of directors and other members of key management were HK\$27,818,000 (for the six months ended 30 June 2019: HK\$32,672,000).

Certain shares of the Company were granted to the key management under the Initial and New Scheme (see note 17 for details of the Initial and New Scheme). The estimated fair value of such shares included in the emoluments above amounted to HK\$9,020,000 (for the six months ended 30 June 2019: HK\$9,833,000) for the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2020

19. 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 2020 (unaudited)	31 December 2019 (audited)				
Foreign currency forward contracts classified as derivative financial instruments on the condensed consolidated statement of financial position	Asset — HK\$11,943,000 Liability — HK\$2,994,000	Asset — HK\$3,482,000 Liability — HK\$9,295,000	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
Interest rate swaps classified as derivative financial instruments on the condensed consolidated statement of financial position	Liabilities (designated for hedging) — HK\$38,654,000	N/A	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\$99,664,000	Asset — HK\$93,471,000	Level 3	Market approach is used by comparing the consideration for share transfer of business ownership interest in similar equity investment interest. 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.
Contingent consideration for NEXX Acquisition	N/A	Liability — HK\$29,489,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an approximate discount rate.	NEXX would meet the amount of revenue and EBITDA target by reference to the estimated sales performance and profit forecast of NEXX that could achieve.	The higher the amount of revenue and EBITDA, the higher the fair value (Note).

Note: If ASM NEXX Inc. ("NEXX") met a higher amount of revenue and EBITDA target, this would result in an increase in the fair value of the contingent consideration, 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 2020

20. CONTINGENT LIABILITIES

As at 30 June 2020, the Group has provided guarantees amounting to HK\$2,191,000 (31 December 2019: HK\$2,258,000) to the Singapore government for work permits of foreign workers in Singapore.

21. CAPITAL COMMITMENTS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 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	<u>93,019</u>	<u>141,033</u>

As at 30 June 2020, the Group also committed to invest HK\$609,255,000 (31 December 2019: HK\$615,032,000) in property, plant and equipment in relation to the purchase of a leasehold land in the PRC which has not contracted for the related additions.



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 2020 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 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	249,300 <i>(Note 1)</i>	0.06%
Guenter Walter Lauber	Beneficial owner	70,900 <i>(Note 2)</i>	0.02%

Notes:

- The 249,300 shares included an entitlement of 49,300 shares allocated to Mr. Ng by the Company on 25 March 2020 pursuant to the Employee Share Incentive Scheme (the "Scheme"), which will vest upon the expiration of the vesting period on 15 December 2020. Pursuant to the Scheme, no subscription price was payable by Mr. Ng in relation to this allocation.
- The 70,900 shares included an entitlement of 17,900 shares in the Company allocated to Mr. Lauber on 25 March 2020 pursuant to the Scheme, which will vest upon the expiration of the vesting period on 15 December 2020. Pursuant to the Scheme, no subscription price was payable by Mr. Lauber in relation to this allocation.

Save as disclosed above, as at 30 June 2020, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, 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.	Interests of a controlled corporation	103,003,000 <i>(Note 1)</i>	25.19%
ASM Pacific Holding B.V.	Beneficial owner	103,003,000 <i>(Note 1)</i>	25.19%
Schroders Plc	Investment manager	45,038,500 <i>(Note 2)</i>	11.01%
Mitsubishi UFJ Financial Group, Inc.	Interests of a controlled corporation	24,293,199 <i>(Note 3)</i>	5.94%

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

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 45,038,500 shares held by Schroders Plc included derivative interests in 110,900 underlying shares of the Company derived from unlisted and cash settled derivatives.
3. Mitsubishi UFJ Financial Group, Inc. was deemed to be interested in 24,293,199 shares, through the shares held by its wholly-owned subsidiaries, including Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., First Sentier Investors Holdings Pty Ltd (formerly known as Carol Australia Holdings Pty Limited), First Sentier Investors Realindex Pty Ltd (formerly known as Realindex Investments Pty Limited), First Sentier Investors Asia Holdings Ltd (formerly known as First State Investment Managers (Asia) Limited), First State Investments (Hong Kong) Ltd, FSIB Ltd, First State Investments Holdings (Singapore) Limited and First State Investments (Singapore).

Save as disclosed above, as at 30 June 2020, 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2020.

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 save as hereinafter provided, all of the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020.

On 30 March 2020, Mr. Lee Wai Kwong, a former director of the Company, purchased 8,000 shares in the Company on the Stock Exchange (the “Purchase”) without first notifying and obtaining the requisite dated written acknowledgement and clearance to deal from the Chairman or the Designated Director as required by the Model Code. On 31 March 2020, upon realising his non-compliance with the Model Code, Mr. Lee promptly notified the Chairman in writing of his oversight in failing to obtain the Chairman’s prior approval before the Purchase. Mr. Lee confirmed to the Board that he did not possess any inside information at the time of the Purchase.

The Board has since looked into the matter. The Chairman has confirmed that had Mr. Lee made the requisite notification in respect of the Purchase, clearance to deal in the shares of the Company would have been given. Given the circumstances as known to the Board at the material time, the Board believes that Mr. Lee did not possess any inside information at the time of the Purchase. All directors have been reminded to vigilantly observe their obligations under the Model Code to ensure strict compliance therewith.

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 fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

OTHER INFORMATION (CONTINUED)

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 2020, 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 330,300 shares in the Company at a total consideration of approximately HK\$26.3 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 17 August 2020 to 19 August 2020, 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 14 August 2020. The interim dividend will be paid on or about 31 August 2020.

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 2019 Annual Report are set out below:

(I) Changes in position(s) held with the Company

	<u>Effective Date</u>
Robin Gerard Ng Cher Tat	
• The Company	12 May 2020
— appointed as the Chief Executive Officer	

(II) Changes in experience including other directorships and major appointments

	<u>Effective Date</u>
Peter van Bommel	
• SES SA (listed on Euronext Paris)	2 April 2020
— appointed as a member of the board	
• Royal KPN N.V. (listed on Euronext Amsterdam)	15 April 2020
— stepped down as a member of supervisory board	

OTHER INFORMATION (CONTINUED)**CHANGES IN INFORMATION OF DIRECTORS (Continued)****(III) Changes in Director's emolument**

Name of Director		On an annualised basis	Effective Date
Robin Gerard Ng Cher Tat	Salary	HK\$3,900,000	12 May 2020
Guenter Walter Lauber	Salary and other benefits	EUR365,000	1 July 2020

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

**SUPPLEMENTAL INFORMATION —
DISCLOSEABLE TRANSACTION
STRATEGIC JOINT VENTURE FOR MATERIALS BUSINESS**

Reference is made to the announcement of the Company dated 28 July 2020 (the “Announcement”) announcing a strategic joint venture relating to the Company’s materials business. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Announcement.

Further information regarding the ultimate beneficial owners of the Investors referred to in the Announcement under the section “INFORMATION ABOUT THE INVESTORS” are as follows:

- (a) The following companies are the shareholders of Wise Road Capital LTD and these companies are in turn owned by the following persons:
- (i) Penny Lane Investment Limited (50%), a British Virgin Islands (“BVI”) company which is owned by Tsai Ming Hsing;
 - (ii) Sunspark Capital Ltd. (32.5%), a BVI company which is owned by Zhang Xinyu, Li Bin, Zhang Yuanjie and Fan Zhenhong; and
 - (iii) Nova Consulting Service Management Ltd. (17.5%), a BVI company which is owned by Li Bin and Zhang Ruihua.
- (b) Asia-IO Capital Management Limited is 60% owned by Denis T. Tse and 40% by Michael Prah.



ENABLING THE DIGITAL WORLD
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