

ASMPPT enabling the digital world

(Stock Code 股份代號 : 0522)

ASMPPT LIMITED

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



中期報告
2022
Interim Report

展望未來 續創新高
Staying Resilient
Continuing to Thrive

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CORPORATE INFORMATION

DIRECTORS

Independent Non-Executive Directors

Orasa Livasiri, *Chairman*
John Lok Kam Chong
Wong Hon Yee
Eric Tang Koon Hung
Andrew Chong Yang Hsueh
Hera Siu Kitwan

Non-Executive Directors

Benjamin Loh Gek Lim
Paulus Antonius Henricus Verhagen

Executive Directors

Robin Gerard Ng Cher Tat
Guenter Walter Lauber

COMPANY SECRETARY

Kong Choon, Jupiter

AUDITOR

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

PRINCIPAL BANKERS

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

CORPORATE HEADQUARTERS

2 Yishun Avenue 7
Singapore 768924
Republic of Singapore

REGISTERED OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE AND CONTACT

Website : www.asmpt.com
Phone : (65) 6752 6311
Fax : (65) 6758 2287

CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS

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

FINANCIAL HIGHLIGHTS

STRONG 1H 2022 GROSS MARGIN PERFORMANCE REVENUE GROWTH OF 10.1% YOY TO US\$1.34 BILLION

Group Financial Highlights for Q2 2022

- Revenue of HK\$5.20 billion (US\$663.5 million), +0.5% YoY and -1.2% QoQ
- Bookings of HK\$4.65 billion (US\$593.1 million), -36.5% YoY and -34.0% QoQ
- Strong gross margin of 41.7%, +110 bps YoY and +104 bps QoQ
- Operating margin of 18.8%, +85 bps YoY and -22 bps QoQ
- Net profit of HK\$904.5 million, +23.5% YoY and +9.0% QoQ

Group Financial Highlights for 1H 2022

- Revenue of HK\$10.47 billion (US\$1.34 billion), +10.1% YoY and -15.8% HoH
 - Bookings of HK\$11.69 billion (US\$1.50 billion), -22.8% YoY and +6.6% HoH
 - Strong gross margin of 41.2%, +104 bps YoY and +21 bps HoH
 - Operating margin of 18.9%, +212 bps YoY and -148 bps HoH
 - Net profit of HK\$1.73 billion, +37.6% YoY and -9.4% HoH
 - Interim basic earnings per share of HK\$4.21, +38.0% YoY and -9.9% HoH
 - Interim dividend per share of HK\$1.30, flat YoY
 - Share Buy-back Plan of up to HK\$420 million
 - Order backlog of HK\$11.18 billion (US\$1.42 billion) as of 30 June 2022
- #### Revenue Guidance for Q3 2022
- US\$560 million to US\$630 million

FINANCIAL HIGHLIGHTS (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	5,203,691	5,177,232	10,471,105	9,514,154
Cost of sales	(3,035,014)	(3,076,523)	(6,161,973)	(5,697,633)
Gross profit	2,168,677	2,100,709	4,309,132	3,816,521
Other income	21,425	40,042	34,718	55,246
Selling and distribution expenses	(424,666)	(459,704)	(840,066)	(853,413)
General and administrative expenses	(239,223)	(239,815)	(481,167)	(471,360)
Research and development expenses	(524,499)	(469,849)	(1,003,646)	(890,188)
Other gains and losses	131,518	(27,377)	165,461	(17,287)
Other expenses	(11,646)	(7,351)	(27,126)	(7,351)
Finance costs	(29,646)	(31,265)	(59,072)	(59,918)
Share of result of a joint venture	66,701	27,153	115,810	44,446
Profit before taxation	1,158,641	932,543	2,214,044	1,616,696
Income tax expense	(254,125)	(200,306)	(479,368)	(356,038)
Profit for the period	904,516	732,237	1,734,676	1,260,658
Profit (loss) for the period, attributable to:				
Owners of the Company	904,378	730,641	1,736,713	1,252,150
Non-controlling interests	138	1,596	(2,037)	8,508
Profit for the period	904,516	732,237	1,734,676	1,260,658
Earnings per share				
— Basic	HK\$2.19	HK\$1.78	HK\$4.21	HK\$3.05
— Diluted	HK\$2.19	HK\$1.78	HK\$4.20	HK\$3.05

CHAIRMAN'S STATEMENT

RESULTS SUMMARY

ASMPT Limited and its subsidiaries (the "Group" or "ASMPT") delivered revenue of HK\$10.47 billion (US\$1.34 billion) for the six months ended 30 June 2022, representing growth of 10.1% YoY and a decline of 15.8% HoH. The Group's consolidated profit after taxation for the first half of 2022 was HK\$1.73 billion, an increase of 37.6% YoY and a decline of 9.4% HoH. Basic earnings per share ("EPS") for the six months ended 30 June 2022 was HK\$4.21 (increased YoY 38.0%, declined HoH 9.9%).

DIVIDEND

The Group firmly believes in consistently rewarding its shareholders. The Board of Directors of ASMPT Limited (the "Company") is pleased to declare an interim dividend of HK\$1.30 (2021: HK\$1.30) per share, payable to shareholders whose names appear on the Register of Members of the Company on 18 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

This review will discuss the Group's performance for the first half of 2022. It will begin with noteworthy business highlights followed by a financial review of the Group and its Segments: the Semiconductor Solutions Segment ("SEMI") and SMT Solutions Segment ("SMT").

1H 2022 Group Business Highlights

Strong Gross Margins & YoY Revenue Growth In Uncertain Macroeconomic Environment

The Group delivered a strong 1H 2022 revenue performance of US\$1.34 billion, representing revenue growth of 10.1% YoY. Gross margin was 41.2%, an improvement of 104 bps YoY and 21 bps HoH. This strong revenue and margin performance was achieved despite persistent supply chains and logistics constraints, along with other macroeconomic uncertainties including inflationary pressures, geopolitical conflicts and COVID-19 control measures in China. It is worth noting that the Group has been delivering gross margins above 40% for five consecutive quarters.

Sustained Contribution from High Growth Sectors: Automotive and Advanced Packaging

Underpinned by secular automotive electrification trends, the Group's unique automotive solutions achieved 1H 2022 revenue of about US\$270 million. This represented around 20% of 1H 2022 Group revenue. The Group has been experiencing significant new customer acquisitions in the automotive space. Typically, automotive customers require their suppliers to meet stringent process requirements, resulting in a high degree of loyalty to a supplier once qualified. With this, the Group is well-positioned to capture a greater share of the automotive addressable market, estimated to be worth about US\$2.9 billion by 2026, with a 2021–2026 compounded annual growth rate ("CAGR") of 9%.

On Advanced Packaging ("AP"), the Group delivered 1H 2022 revenue amounting to about US\$235 million. This represented around 18% of 1H 2022 Group revenue. Customer capital expenditures in this area tend to be driven by longer term technology trends in addition to shorter term capacity needs that may fluctuate. The Group's unique and differentiated capabilities in the AP space create rich opportunities that further strengthen its competitive advantage as the "Total Interconnect Company". Coupled with bullish capital spending plans of leading semiconductor companies, these strong foundations will enable the Group to expand its share of the AP addressable market, valued at US\$2.7 billion by 2026, with a 2021–2026 CAGR of 11%.

CHAIRMAN'S STATEMENT (CONTINUED)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1H 2022 Group Business Highlights (Continued)

Thermo Compression Bonding and Hybrid Bonding Technology Roadmaps Present Significant Opportunities

The Group reported record order wins in Q1 2022 for its chip-to-wafer Thermo Compression Bonding ("TCB") tools, and in Q2 2022 continued to secure new orders from a leading semiconductor customer for this more advanced TCB platform.

The Group's innovation in ultra-fine pitch chip-to-wafer TCB developments will drive served market expansion of leading-edge advanced nodes in the semiconductor packaging and assembly market. By providing more options to customers for high volume manufacturing for leading-edge advanced nodes packaging requirements, these advanced TCB tools overlap the domain served by Hybrid Bonding ("HB"), which is still undergoing a gradual transition from market adoption to low volume manufacturing. The Group is confident that demand for its TCB tools will experience structural growth over the long term.

Concerning HB, the Group is focusing its resources and investments to deliver HB tools for qualification with leading customers to support their progressive addition of 3 nanometer and below advanced node wafer fab capacity in the next couple of years. In close alignment with customers' production ramp-up plans, the Group's HB tools are expected to contribute meaningfully to the Group's performance from 2023.

This combination of TCB and HB solutions places the Group in a unique position to benefit substantially as leading customers' advanced nodes wafer fab capacity (10 nanometer & below) comes onstream at an accelerated pace over the next few years. The Group is confident that the addressable market growth rate for its suite of TCB and HB solutions will significantly outpace the semiconductor packaging and assembly equipment ("PAE") market 2021-2026 CAGR of 5.2%.

Dominant Leader for Panel Electrochemical Deposition ("ECD") Tools

Underpinned by leading customers' cutting-edge technology roadmaps, the strong order momentum in 2021 for the Group's panel level ECD tools continued into 1H 2022. This is backed by a broadening customer base, particularly for high performance computing ("HPC"), in tandem with industry momentum from significant new ABF substrate capacity expansions due to underinvestment in prior years. These trends bode well for the Group to further reinforce its dominance in the panel level ECD tools space. Furthermore, the Group collaborates closely with leading customers to address next-generation technology needs, and these unique partnerships have helped cement its panel-level ECD technology leadership versus its closest peers.

Market Leader for System-in-Package ("SiP") Placement

Supported by the secular growth trend of 5G and its associated increased technical requirements for better connectivity, performance, power management, and higher component density within smaller device form factors, the Group's customers invested significantly in these tools in 2021 and order momentum continued into 1H 2022. With the proliferation of 5G Radio Frequency ("RF") front-end modules and strong market demand for consumer wearables, the Group remains confident that its market leadership for SiP placement tools will strengthen as demand intensifies over the longer term. As an example, the density of RF contents in a 5G smartphone is around 40% higher than a 4G handset.

CHAIRMAN'S STATEMENT (CONTINUED)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1H 2022 Group Business Highlights (Continued)

Further Inroads into Memory Market

The Group has previously announced a strategic and meaningful breakthrough in the under-represented memory market for its mainstream wire bonding and AP tools for high volume manufacturing requirements, for both conventional memory and high bandwidth memory applications. The Group has continued to penetrate further into the memory market with new order wins for its laser dicing and grooving tools, while customers continue to place new orders for the Group's wire bonding tools for memory applications.

AAMI on an Accelerated Growth Path

After delivering a strong performance in 2021, Advanced Assembly Materials International Limited ("AAMI") continued to deliver robust financial performance to the Group in 1H 2022, exceeding expectations and targets. AAMI is expected to ramp-up its capacity to continue driving long-term growth and market expansion.

Group Financial Review

(in HK\$ million)	Q2 2022	QoQ	YoY	1H 2022	HoH	YoY
Bookings	4,649.5 (US\$593.1 million)	-34.0%	-36.5%	11,693.4 (US\$1,495.6 million)	+6.6%	-22.8%
Revenue	5,203.7 (US\$663.5 million)	-1.2%	+0.5%	10,471.1 (US\$1,338.3 million)	-15.8%	+10.1%
Gross Margin (%)	41.7%	+104 bps	+110 bps	41.2%	+21 bps	+104 bps
Operating Margin (%)	18.8%	-22 bps	+85 bps	18.9%	-148 bps	+212 bps
Net Profit ¹	904.5	+9.0%	+23.5%	1,734.7	-12.4%	+37.6%
Net Profit Margin ¹ (%)	17.4%	+162 bps	+324 bps	16.6%	+64 bps	+332 bps

Note:

¹ excluding one-off items of HK\$65.0 million and their related tax charge of HK\$0.5 million recorded in Q4 2021 amounting to HK\$65.5 million.

CHAIRMAN'S STATEMENT (CONTINUED)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

1H 2022 Group Financial Review

The Group delivered a 1H record revenue performance of HK\$10.47 billion (US\$1.34 billion). This was an increase of 10.1% YoY, but a decrease of 15.8% HoH due to a record high base effect. This was largely attributed to key developments in its diversified end-markets:

- (i) The Automotive market, which contributed about 20% to Group revenue, grew at a much faster pace for both YoY and HoH than the other end markets. Notably, YoY growth was close to 60%.
- (ii) The Industrial market, which accounted for about 14% of Group revenue, experienced YoY and HoH growth, achieving record first-half revenue.
- (iii) The Consumer, Communication and Computing markets contributed about 22%, 18% and 9% to Group revenue respectively. These markets experienced HoH declines due largely to weaker consumer sentiment in the latter part of Q2.

Geographically, Europe, Malaysia, the Americas, and Taiwan accounted for approximately 42% of 1H 2022 revenue, a YoY increase of around 47%. While China (including Hong Kong) remained the largest market, its contribution was moderated to about 44% of 1H 2022 revenue. In terms of customer concentration risk, this continued to remain low, with the Group's top five customers accounting for less than 14% of 1H 2022 revenue.

On bookings, the Group received new customer investments amounting to HK\$11.69 billion (US\$1.50 billion). This represented a HoH increase of 6.6% but a YoY drop of 22.8%. This YoY reduction was due to a record base effect. Notably, high growth sectors of AP and Automotive end markets accounted for about 46% of 1H 2022 Group bookings. The Group ended the first half with a high backlog of HK\$11.18 billion (US\$1.42 billion) and a book-to-bill ratio of 1.12.

Group gross margin was 41.2%, an improvement of 104 bps YoY and 21 bps HoH. The YoY improvement was due to both SEMI and SMT segments experiencing stronger gross margins, along with targeted pricing adjustments and margin accretive effects from strategic initiatives. However, some of these improvements were partially offset by higher material prices and logistical costs attributed to stretched global supply chains.

The Group's operating margin was 18.9%, up 212 bps YoY and down 148 bps HoH. Notably, the operating margin is at an elevated level compared with 1H operating margins of prior years.

On the back of strong margins performance, the Group's net profit (including share of results from AAMI) was HK\$1.73 billion. This was an increase of 37.6% YoY and a decline 12.4% HoH.

Continued disciplined capital management enabled the Group to register healthy cash and bank deposits of HK\$4.76 billion at the end of 1H 2022 (versus HK\$4.10 billion at end 1H 2021). Net cash and bank deposits was HK\$1.71 billion at the end of 1H 2022 (versus HK\$1.02 billion at end 1H 2021).

CHAIRMAN'S STATEMENT (CONTINUED)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Q2 2022 Group Financial Review

The Group delivered revenue of HK\$5.20 billion (US\$663.5 million), representing 0.5% YoY increase and 1.2% decline QoQ, slightly below the low end of Q2 revenue guidance (US\$670 million) issued the previous quarter. This was largely due to stretched supply chains and logistics constraints, along with weaker consumer sentiment arising from macroeconomic uncertainties.

The Group's bookings of HK\$4.65 billion (US\$593.1 million) was a decline of 36.5% YoY and 34.0% QoQ. These declines were largely due to a high base effect.

The Group's gross margin of 41.7% was an improvement of 110 bps YoY and 104 bps QoQ. These improvements were mainly due to the relatively stronger margin performance of the Group's SMT Segment.

The Group's operating margin of 18.8% was an increase of 85 bps YoY and a decline of 22 bps QoQ.

The Group's net profit (which includes share of results from AAMI) of HK\$904.5 million was an improvement of 23.5% YoY and 9.0% QoQ.

Semiconductor Solutions Segment Financial Review

(in HK\$ million)	Q2 2022	QoQ	YoY	1H 2022	HoH	YoY
Bookings	2,132.6 (US\$272.1 million)	-48.2%	-50.4%	6,248.5 (US\$799.4 million)	-1.3%	-35.0%
Revenue	3,071.7 (US\$391.7 million)	+4.4%	-3.0%	6,014.3 (US\$768.6 million)	-21.3%	+2.5%
Gross Margin (%)	44.7%	-4 bps	+85 bps	44.7%	+107 bps	+78 bps
Segment Profit	616.8	-1.3%	-9.4%	1,241.5	-30.8%	+0.7%
Segment Profit Margin (%)	20.1%	-115 bps	-143 bps	20.6%	-281 bps	-36 bps

CHAIRMAN'S STATEMENT (CONTINUED)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Semiconductor Solutions Segment Financial Review (Continued)

The segment registered Q2 2022 revenue of HK\$3.07 billion (US\$391.7 million), representing 59.0% of Group revenue, a decrease 3.0% YoY and increase 4.4% QoQ. This revenue performance was driven by the following developments:

- (i) The IC/Discrete Business Unit's ("BU") mainstream tools, namely die bonders including eClip bonders, encapsulation tools and test handlers, enjoyed QoQ growth and dominated deliveries, while wire bonder deliveries were relatively slow. Some of its AP solutions, in particular panel level ECD tools, laser dicing and grooving tools and TCB tools, experienced a QoQ uptick in deliveries.
- (ii) The Optoelectronics BU enjoyed YoY growth for its more advanced tools serving automotive, photonics and silicon photonics applications. On the whole, the BU experienced YoY and QoQ decline in deliveries, influenced by weaker consumer sentiments, particularly for Chinese customers.
- (iii) The CIS BU experienced slower YoY and QoQ performance, largely attributed to softness in the smartphone market.

The segment registered Q2 2022 bookings of HK\$2.13 billion (US\$272.1 million), a decline of 50.4% YoY and 48.2% QoQ. These declines were due to a high base effect. Mainstream die bonders, wire bonders and encapsulation tools, together with advanced tools including panel level ECD tools, TCB tools and Multi-Chip Module bonders, accounted for the majority of segment bookings.

Segment Q2 2022 gross margin was 44.7%, an increase of 85 bps YoY and flat QoQ. YoY improvement was largely influenced by a few factors. These included a higher proportion of revenue from AP and automotive, targeted pricing adjustments and margin accretive effects from ongoing strategic initiatives. In addition, the Segment managed to control cost pressures from inflation and supply chain shortages.

Segment profit of HK\$616.8 million in Q2 2022 was a decline of 9.4% YoY and 1.3% QoQ.

CHAIRMAN'S STATEMENT (CONTINUED)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

SMT Solutions Segment Financial Review

(in HK\$ million)	Q2 2022	QoQ	YoY	1H 2022	HoH	YoY
Bookings	2,516.9 (US\$321.0 million)	-14.0%	-16.8%	5,445.0 (US\$696.2 million)	+17.5%	-1.8%
Revenue	2,132.0 (US\$271.9 million)	-8.3%	+6.0%	4,456.8 (US\$569.7 million)	-6.9%	+22.3%
Gross Margin (%)	37.4%	+188 bps	+189 bps	36.4%	-30 bps	+239 bps
Segment Profit	400.1	-8.6%	+27.3%	837.9	-6.7%	+74.8%
Segment Profit Margin (%)	18.8%	-7 bps	+314 bps	18.8%	+5 bps	+565 bps

Strong segment Q2 2022 revenue of HK\$2.13 billion (US\$271.9 million) accounted for 41.0% of the Group's Q2 2022 revenue. This was a growth of 6.0% YoY and a decline of 8.3% QoQ. YoY growth was largely attributed to increased deliveries to automotive and industrial customers, while the QoQ decline was mainly due to lower revenue contribution from Chinese customers.

The segment achieved Q2 2022 bookings of HK\$2.52 billion (US\$321.0 million), a decline of 16.8% YoY and 14.0% QoQ. While these declines were due to a high base effect, this quarter's bookings remained at elevated levels compared with the Q2s of prior years.

Segment Q2 2022 gross margin was 37.4%, up 189 bps YoY and 188 bps QoQ. YoY improvement was mainly due to a combination of higher contribution from automotive and industrial customers, targeted pricing adjustments and margin accretive effects from ongoing strategic initiatives. These improvements were partially offset by higher material and logistics costs.

Segment profit was HK\$400.1 million in Q2 2022, an increase of 27.3% YoY and decrease of 8.6% QoQ.

Q3 2022 REVENUE GUIDANCE

Like many in the global semiconductor industry, the Group continues to navigate a dynamic and challenging operating environment. In the near term, the Group will focus on converting its high backlog. However, weak consumer sentiment, ongoing supply chain issues and COVID-19 induced uncertainties remain constraining factors. As such, the Group expects revenue for Q3 2022 to be between US\$560 million to US\$630 million, representing declines of 25.8% YoY and 10.3% QoQ at mid-point.

CHAIRMAN'S STATEMENT (CONTINUED)

LONGER TERM OUTLOOK

From a broader perspective, semiconductors remain fundamental building blocks for our increasingly digital world. With silicon consumption expected to accelerate, semiconductor capital equipment market, an enabler in the semiconductor value chain, is expected to experience long term structural growth.

With regards to the semiconductor PAE market, TechInsights has forecasted expansion from US\$6.5 billion (2021) to US\$8.4 billion (2026) at a CAGR of 5.2%. Being the leading player in this market, the Group is poised to benefit from this bullish industry growth projection.

RESEARCH AND DEVELOPMENT

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

The Group's strategy reinforces its ability to deliver the best innovative products with differentiated value propositions to customers. As a result, its customers have benefitted from the Group's breadth and depth of enabling technologies, strong financial resources and excellent infrastructure support. During the six months ended 30 June 2022, the Group invested 9.6% of its equipment revenue into R&D, to the tune of HK\$1.00 billion. To date, the Group has obtained more than 1,600 patents on leading-edge technologies.

As of 30 June 2022, the Group operates several research and development centres worldwide in various major cities, namely in Americas (Boston), Asia (Chengdu, Hong Kong, Huizhou, Shenzhen, Suzhou, Singapore and Taoyuan) and Europe (Beuningen, Munich, Porto, Regensburg and Weymouth), supported by around 2,500 R&D employees.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 30 June 2022 was HK\$4.76 billion (31 December 2021: HK\$4.88 billion). Capital additions during the period amounted to HK\$212.9 million (1H 2021: HK\$99.2 million), which was fully funded by the period's depreciation and amortization of HK\$249.1 million (1H 2021: HK\$260.4 million), excluding the depreciation of right-of-use assets of HK\$114.9 million (1H 2021: HK\$107.9 million) as per HKFRS 16 in the current period.

As of 30 June 2022, the debt-to-equity ratio was 0.196 (31 December 2021: 0.175). Debts include all bank borrowings. The Group had available banking facilities of HK\$2.66 billion (US\$338.8 million) (31 December 2021: HK\$3.34 billion (US\$428.2 million)) in the form of bank loans and overdraft facilities, of which HK\$1.57 billion (US\$200.0 million) (31 December 2021: HK\$1.86 billion (US\$238.5 million)) were committed borrowing facilities. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in US dollars and Hong Kong dollars.

CHAIRMAN'S STATEMENT (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

The Group had bank borrowings of HK\$3.05 billion as of 30 June 2022 (31 December 2021: HK\$2.70 billion), consisting of variable-rate bank borrowings. These bank borrowings are unsecured and repayable by instalments. A syndicated loan of HK\$2.5 billion was arranged in March 2019, and it is a variable-rate borrowing. Repayment of this syndicated loan commenced from March 2022 until March 2024. The Group uses interest rate swaps to mitigate its exposure of the cash flow changes of the variable-rate syndicated loan by swapping certain portions of the syndicated loan from variable rates to fixed rates. The Group's equity attributable to owners of the Company was HK\$15.44 billion (31 December 2021: HK\$15.28 billion) as at 30 June 2022.

As of 30 June 2022, cash holdings of the Group were mainly in US dollars, Euros and Chinese RMB. The Group's SMT Solutions Segment entered into US dollar and Euro hedging contracts to mitigate foreign currency risks, as a significant portion of the production of SMT equipment and its suppliers are located in Europe, while a substantial part of the Group's revenue for SMT equipment is denominated in US dollars. In terms of currency exposure, the majority of the Group's sales and disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese RMB.

INTERIM DIVIDENDS AND SHARE BUY-BACK PLAN

The Group has maintained a strong track record of rewarding its shareholders with consistent dividends every year since listing on the Hong Kong Stock Exchange in 1989. For 1H 2022, the Board declared an interim dividend of HK\$1.30 per share, flat YoY.

In addition to the interim dividend, the Board has approved a Share Buy-back Plan ("SBP") pursuant to which the Company will buy back the on-market shares of the Company up to a maximum value of HK\$420 million. *[Further details relating to the SBP are set out in a voluntary announcement of the Company dated 20 July 2022.]*

The Board believes that the SBP reflects the confidence of the Board and the management team in the long-term strategy and growth prospects of the Group and considers the SBP to be in the best interests of the Group and its shareholders as a whole. Implementation of the SBP shall enhance the Group's earnings per share and improve overall shareholder returns.

SIGNIFICANT INVESTMENT

As at 30 June 2022, Advanced Assembly Materials International Limited ("AAMI") was regarded as a significant investment of the Group as the value of the Group's investment in AAMI comprised 5% or more of the Group's total assets. Save as disclosed in this report, the information pursuant to paragraph 32(4A) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") in relation to the Group's investment in AAMI has not changed materially from the information disclosed in the most recent published annual report.

CHAIRMAN'S STATEMENT (CONTINUED)

HUMAN RESOURCES

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

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

As of 30 June 2022, total headcount for the Group was approximately 11,500, which excludes some 2,200 flexi workers and outsourced workers. Of this 11,500, approximately 1,000 are based in Hong Kong, 5,600 in mainland China, 1,100 in Singapore, 1,100 in Germany, 1,000 in Malaysia, 400 in the United Kingdom, 400 in the United States, and the rest in other parts of the world.

Total manpower costs for the Group for the first six months of 2022 was HK\$2.68 billion, compared with HK\$2.62 billion during the same period of 2021. The Group has committed to allocating the requisite costs for manpower to ensure that its employees are fairly remunerated. The Group continues to take a prudent and measured approach toward managing manpower costs, finding creative ways to do so in the face of the industry's cyclical environment; a sustained increase in demand for the Group's products; and a more diverse, mobile & talented workforce.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.**德勤**

**TO THE BOARD OF DIRECTORS OF ASMPPT LIMITED
(FORMERLY KNOWN AS ASM PACIFIC TECHNOLOGY LIMITED)**
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of ASMPPT Limited (formerly known as ASM Pacific Technology Limited) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 16 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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
20 July 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	10,471,105	9,514,154
Cost of sales		(6,161,973)	(5,697,633)
Gross profit		4,309,132	3,816,521
Other income		34,718	55,246
Selling and distribution expenses		(840,066)	(853,413)
General and administrative expenses		(481,167)	(471,360)
Research and development expenses		(1,003,646)	(890,188)
Other gains and losses	5	165,461	(17,287)
Other expenses		(27,126)	(7,351)
Finance costs	6	(59,072)	(59,918)
Share of result of a joint venture		115,810	44,446
Profit before taxation		2,214,044	1,616,696
Income tax expense	7	(479,368)	(356,038)
Profit for the period		<u>1,734,676</u>	<u>1,260,658</u>
Profit (loss) for the period, attributable to:			
Owners of the Company		1,736,713	1,252,150
Non-controlling interests		(2,037)	8,508
Profit for the period		<u>1,734,676</u>	<u>1,260,658</u>
Earnings per share	9		
— Basic		<u>HK\$4.21</u>	<u>HK\$3.05</u>
— Diluted		<u>HK\$4.20</u>	<u>HK\$3.05</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period	1,734,676	1,260,658
Other comprehensive (expense) income		
<i>Item that will not be reclassified to profit or loss:</i>		
— net fair value loss on investments in equity instruments at fair value through other comprehensive income	—	(49,735)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— exchange differences on translation of foreign operations		
— subsidiaries	(602,779)	(102,153)
— a joint venture	(13,133)	1,771
— fair value gain on hedging instruments designated as cash flow hedges	58,359	12,337
	(557,553)	(88,045)
Other comprehensive expense for the period	(557,553)	(137,780)
Total comprehensive income for the period	1,177,123	1,122,878
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	1,186,939	1,117,209
Non-controlling interests	(9,816)	5,669
	1,177,123	1,122,878

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	2,228,712	2,337,048
Right-of-use assets	10	1,615,195	1,600,467
Investment properties		74,299	80,451
Goodwill		982,357	926,531
Intangible assets		1,097,836	1,034,999
Other investments		61,365	64,202
Interest in a joint venture		1,488,881	1,386,204
Other financial assets		40,013	39,775
Deposits paid for acquisition of property, plant and equipment		30,576	13,422
Rental deposits paid		33,732	32,510
Derivative financial instruments		184,814	144,386
Deferred tax assets		549,316	565,883
Long-term bank deposits		14,365	—
Other non-current assets		24,316	23,942
		8,425,777	8,249,820
Current assets			
Inventories		7,524,432	7,455,775
Trade and other receivables	11	5,568,215	5,875,862
Amounts due from a joint venture and its affiliates		21,210	11,328
Derivative financial instruments		386	1,482
Income tax recoverable		34,767	23,638
Pledged bank deposits		585	1,223
Bank deposits with original maturity of more than three months		165,807	200,573
Bank balances and cash		4,583,497	4,681,090
		17,898,899	18,250,971
Current liabilities			
Trade liabilities and other payables	12	3,269,598	3,608,392
Advance payments from customers		1,318,865	1,779,304
Amounts due to a joint venture and its affiliate		13,241	10,629
Derivative financial instruments		81,314	41,585
Lease liabilities		192,623	197,378
Provisions	13	329,976	351,944
Income tax payable		609,388	451,489
Bank borrowings	14	1,049,335	448,588
		6,864,340	6,889,309
Net current assets		11,034,559	11,361,662
		19,460,336	19,611,482

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2022

	<i>Notes</i>	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Capital and reserves			
Share capital	15	41,270	41,270
Dividend reserve		536,517	1,073,034
Other reserves		<u>14,863,894</u>	<u>14,161,122</u>
Equity attributable to owners of the Company		<u>15,441,681</u>	15,275,426
Non-controlling interests		<u>126,447</u>	<u>136,263</u>
Total equity		<u>15,568,128</u>	15,411,689
Non-current liabilities			
Bank borrowings	14	2,000,000	2,250,000
Lease liabilities		1,367,859	1,348,989
Retirement benefit obligations		194,482	234,643
Provisions	13	55,282	53,005
Derivative financial instruments		—	18,793
Deferred tax liabilities		173,278	180,674
Other liabilities and accruals		<u>101,307</u>	<u>113,689</u>
		<u>3,892,208</u>	<u>4,199,793</u>
		<u>19,460,336</u>	<u>19,611,482</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company												Attributable to non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Employee share-based compensation reserve HK\$'000	Shares held for the Scheme HK\$'000 (note 16)	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Other reserve HK\$'000 (Note)	Hedging reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000			Sub-total HK\$'000
At 1 January 2021	41,079	1,677,782	—	—	760	72,979	8,020	(30,589)	(55,804)	(229,710)	10,863,480	821,592	13,169,589	24,658	13,194,247
Profit for the year	—	—	—	—	—	—	—	—	—	—	3,168,976	—	3,168,976	6,204	3,175,180
<i>Item that will not be reclassified to profit or loss:</i>															
Remeasurement of defined benefit retirement plans, net of tax	—	—	—	—	—	—	—	—	—	—	41,012	—	41,012	—	41,012
Net fair value loss on investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	—	(49,735)	—	—	—	—	—	(49,735)	—	(49,735)
<i>Items that may be reclassified subsequently to profit or loss:</i>															
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	(199,661)	—	—	(199,661)	319	(199,342)
Fair value gain on hedging instruments designated as cash flow hedges	—	—	—	—	—	—	—	—	37,011	—	—	—	37,011	—	37,011
Total comprehensive (expense) income for the year	—	—	—	—	—	—	(49,735)	—	37,011	(199,661)	3,209,988	—	2,997,603	6,523	3,004,126
Sub-total	41,079	1,677,782	—	—	760	72,979	(41,715)	(30,589)	(18,793)	(429,371)	14,073,468	821,592	16,167,192	31,181	16,198,373
Recognition of equity-settled share-based payments	—	—	210,255	—	—	—	—	—	—	—	—	—	210,255	—	210,255
Arising on acquisition of additional interest in subsidiary	—	—	—	—	—	—	—	25,361	—	—	—	—	25,361	(25,361)	—
Arising on partial disposal and deemed partial disposal of a subsidiary	—	—	—	—	—	—	—	254,954	—	—	—	—	254,954	130,443	385,397
Purchase of shares under the Scheme (as defined in note 16)	—	—	—	(26,709)	—	—	—	—	—	—	—	—	(26,709)	—	(26,709)
Shares vested under the Scheme	—	—	(25,761)	25,864	—	—	—	—	—	—	(103)	—	—	—	—
Shares issued under the Scheme	191	184,303	(184,494)	—	—	—	—	—	—	—	—	—	—	—	—
2020 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	(821,592)	(821,592)	—	(821,592)
2021 interim dividend paid	—	—	—	—	—	—	—	—	—	—	(534,035)	—	(534,035)	—	(534,035)
2021 final dividend proposed	—	—	—	—	—	—	—	—	—	—	(1,073,034)	1,073,034	—	—	—
At 31 December 2021 and 1 January 2022 (audited)	41,270	1,862,085	—	(845)	760	72,979	(41,715)	249,726	(18,793)	(429,371)	12,466,296	1,073,034	15,275,426	136,263	15,411,689
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	—	1,736,713	—	1,736,713	(2,037)	1,734,676
<i>Items that may be reclassified subsequently to profit or loss:</i>															
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	(608,133)	—	—	(608,133)	(7,779)	(615,912)
Fair value gain on hedging instruments designated as cash flow hedges	—	—	—	—	—	—	—	—	58,359	—	—	—	58,359	—	58,359
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	—	58,359	(608,133)	1,736,713	—	1,186,939	(9,816)	1,177,123
Sub-total	41,270	1,862,085	—	(845)	760	72,979	(41,715)	249,726	39,566	(1,037,504)	14,203,009	1,073,034	16,462,365	126,447	16,588,812
Recognition of equity-settled share-based payments	—	—	85,630	—	—	—	—	—	—	—	—	—	85,630	—	85,630
Purchase of shares under the Scheme	—	—	—	(33,280)	—	—	—	—	—	—	—	—	(33,280)	—	(33,280)
2021 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	(1,073,034)	(1,073,034)	—	(1,073,034)
2022 interim dividend declared after end of interim period	—	—	—	—	—	—	—	—	—	—	(536,517)	536,517	—	—	—
At 30 June 2022 (unaudited)	41,270	1,862,085	85,630	(34,125)	760	72,979	(41,715)	249,726	39,566	(1,037,504)	13,666,492	536,517	15,441,681	126,447	15,568,128

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

	Attributable to owners of the Company												Attributable to non-controlling interests	Total	
	Share capital	Share premium	Employee share-based compensation reserve	Shares held for the Scheme	Capital redemption reserve	Capital reserve	Fair value through other comprehensive income reserve	Other reserve	Hedging reserve	Translation reserve	Retained profits	Dividend reserve			Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	41,079	1,677,782	—	—	760	72,979	8,020	(30,589)	(55,804)	(229,710)	10,863,480	821,592	13,169,589	24,658	13,194,247
Profit for the period	—	—	—	—	—	—	—	—	—	—	1,252,150	—	1,252,150	8,508	1,260,658
<i>Item that will not be reclassified to profit or loss:</i>															
Net fair value loss on investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	—	(49,735)	—	—	—	—	—	(49,735)	—	(49,735)
<i>Items that may be reclassified subsequently to profit or loss:</i>															
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	(97,543)	—	—	(97,543)	(2,839)	(100,382)
Fair value gain on hedging instruments designated as cash flow hedges	—	—	—	—	—	—	—	—	12,337	—	—	—	12,337	—	12,337
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(49,735)	—	12,337	(97,543)	1,252,150	—	1,117,209	5,669	1,122,878
Sub-total	41,079	1,677,782	—	—	760	72,979	(41,715)	(30,589)	(43,467)	(327,253)	12,115,630	821,592	14,286,798	30,327	14,317,125
Recognition of equity-settled share-based payments	—	—	82,037	—	—	—	—	—	—	—	—	—	82,037	—	82,037
Purchase of shares under the Scheme	—	—	—	(26,709)	—	—	—	—	—	—	—	—	(26,709)	—	(26,709)
2020 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	(821,592)	(821,592)	—	(821,592)
2021 interim dividend declared after end of interim period	—	—	—	—	—	—	—	—	—	—	(534,035)	534,035	—	—	—
At 30 June 2021 (unaudited)	41,079	1,677,782	82,037	(26,709)	760	72,979	(41,715)	(30,589)	(43,467)	(327,253)	11,581,595	534,035	13,520,534	30,327	13,550,861

Note of other reserve represents:

- (i) The change in the non-controlling interest in a subsidiary arising from issue of new shares to the Group through the capitalization of loans to the subsidiary in 2017;
- (ii) Acquiring the non-controlling interest of subsidiaries in 2019 and 2021; and
- (iii) The partial disposal and deemed partial disposal of the subsidiary in 2021 through disposal of shares and issue of new shares to an investor which the investor holds 38.46% of the enlarged total issued shares of the subsidiary afterwards.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cash generated from operations		1,684,864	977,572
Income taxes paid		(321,344)	(272,873)
Net cash from operating activities		1,363,520	704,699
Net cash used in investing activities			
Deposits paid for acquisition of property, plant and equipment		(30,576)	(26,203)
Purchase of property, plant and equipment		(175,313)	(67,932)
Net cash outflow arising on acquisition of a subsidiary	18	(178,808)	—
Other investing cash flows		(2,543)	3,519
		(387,240)	(90,616)
Net cash used in financing activities			
Dividends paid		(1,073,034)	(821,592)
Bank borrowings raised	14	639,238	450,066
Repayment of bank borrowings	14	(289,662)	(408,552)
Repayment of lease liabilities		(102,670)	(95,599)
Other financing cash flows		(59,151)	(60,141)
		(885,279)	(935,818)
Net increase (decrease) in cash and cash equivalents		91,001	(321,735)
Cash and cash equivalents at beginning of the period		4,681,090	4,450,564
Effect of foreign exchange rate changes		(188,594)	(35,326)
Cash and cash equivalents at end of the period, represented by bank balances and cash		4,583,497	4,093,503

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2021.

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 and certain financial liabilities which are measured at fair value at the end of reporting period.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**Application of amendments to HKFRSs (Continued)*****Impacts and changes in accounting policies on application of Amendments to HKFRS 3 Reference to the Conceptual Framework***

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

3. SEGMENT INFORMATION

The Group has two (2021: two) operating segments: development, production and sales of (1) semiconductor solutions and (2) surface mount technology solutions. They represent two (2021: two) major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the two (2021: two) 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 gain, unallocated net foreign exchange gain and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, share of result of a joint venture 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Segment revenue from external customers		
Semiconductor solutions	6,014,320	5,869,192
Surface mount technology solutions	4,456,785	3,644,962
	10,471,105	9,514,154
Segment profit		
Semiconductor solutions	1,241,502	1,232,664
Surface mount technology solutions	837,887	479,477
	2,079,389	1,712,141
Interest income	9,761	3,914
Finance costs	(59,072)	(59,918)
Unallocated other income and other gain	13,488	1,218
Unallocated net foreign exchange gain and fair value change of foreign currency forward contracts	164,890	18,223
Unallocated general and administrative expenses	(83,096)	(95,977)
Share of result of a joint venture	115,810	44,446
Other expenses	(27,126)	(7,351)
Profit before taxation	2,214,044	1,616,696

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mainland China	3,983,272	4,605,052
Europe	1,616,988	1,107,504
— Germany	481,259	368,403
— Hungary	151,526	89,598
— Romania	147,544	66,890
— Poland	109,300	47,364
— France	101,750	90,250
— Austria	58,406	78,849
— Others	567,203	366,150
Malaysia	1,048,784	373,098
Americas	985,200	803,262
— United States of America	647,150	472,366
— Mexico	133,187	93,727
— Canada	20,843	43,196
— Others	184,020	193,973
Taiwan	766,410	696,396
Hong Kong	668,994	393,882
Japan	295,534	222,710
Korea	285,973	451,559
Thailand	244,608	418,196
Vietnam	199,902	140,811
Philippines	156,706	118,887
India	117,320	38,012
Singapore	78,325	118,538
Others	23,089	26,247
	10,471,105	9,514,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	197,428	206,291
Depreciation for right-of-use assets	114,896	107,901
Depreciation for investment properties	2,486	2,635
Amortization for intangible assets	49,225	51,504
Government grants (included in other income)	(7,938)	(10,788)

5. OTHER GAINS AND LOSSES

During the period, included in other gains and losses are mainly net foreign exchange gain and fair value change of foreign currency forward contracts of HK\$164.9 million (for the six months ended 30 June 2021: HK\$18.2 million) and net gain on disposal/write-off of property, plant and equipment of HK\$3.0 million (for the six months ended 30 June 2021: HK\$5.4 million). For the six months ended 30 June 2021, provision in relation to the litigation of HK\$21.7 million (for the six months ended 30 June 2022: nil) was included in other gains and losses.

6. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings	18,462	18,848
Interest on lease liabilities	25,885	26,674
Others	5,684	4,584
	50,031	50,106
Fair value loss reclassified from equity to profit or loss on interest rate swaps designated as cash flow hedges	9,041	9,812
	59,072	59,918

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
The charge (credit) comprises:		
Current tax:		
Hong Kong	24,242	27,021
People's Republic of China ("PRC") Enterprise Income Tax	60,322	57,805
Germany	235,426	123,665
Other jurisdictions	143,796	67,227
	463,786	275,718
Underprovision in prior years	26,693	94,665
	490,479	370,383
Deferred tax credit	(11,111)	(14,345)
	479,368	356,038

Current tax:

- (a) Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. The Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million for the six months ended 30 June 2022 and 2021.
- (b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 25%), except for ASM Technology China Limited ("ATC"). ATC obtained a new advanced technology service enterprise ("ATSE") Certificate in July 2018. According to the tax circular Caishui [2017] No. 79, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15%. The renewed ATSE recognition has no expiry date while ATC shall keep proper records for its fulfillment of recognition criteria as an ATSE.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE (Continued)

Current tax: (Continued)

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

On 12 July 2010, EDB also granted ATS an International Headquarters Award ("IHA") to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period. Income of ATS arising from activities not covered under the IHA is taxed at the prevailing corporate tax rate in Singapore of 17% (for the six months ended 30 June 2021: 17%).

On 9 December 2020, the PC has been terminated with effect from 1 January 2020 across all product groups while the IHA has expired on 31 December 2020. Meanwhile, ATS is in the advanced stage of renewing the IHA with effect from 1 January 2021 and obtaining a new PC with effect from 1 January 2022.

- (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 2021: 15.00%) plus 5.50% (for the six months ended 30 June 2021: 5.50%) solidarity surcharge on the corporate income tax for the assessable profit for the period which derives at tax rate of 15.825% (for the six months ended 30 June 2021: 15.825%). 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 12.465% to 17.150% (for the six months ended 30 June 2021: 14.137% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 28.290% and 32.975% (for the six months ended 30 June 2021: between 29.962% 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

8. DIVIDENDS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Dividend recognized as distribution during the period		
Final dividend for 2021 paid of HK\$2.60 (2021: final dividend for 2020 paid of HK\$2.00) per share on 412,705,333 (2021: 410,796,133) shares	<u>1,073,034</u>	<u>821,592</u>
Dividend declared after the end of the interim reporting period		
Interim dividend for 2022 of HK\$1.30 (2021: HK\$1.30) per share on 412,705,333 (2021: 410,796,133) shares	<u>536,517</u>	<u>534,035</u>

The dividend declared after 30 June 2022 will be paid to the shareholders of the Company whose names appear on the Register of Members on 18 August 2022.

9. 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	
	2022 HK\$'000 (Unaudited)	2021 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>1,736,713</u>	<u>1,252,150</u>

	Number of shares (in thousands)	
	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	412,523	410,646
Effect of dilutive potential shares:		
— Employee Share Incentive Scheme	<u>806</u>	<u>538</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>413,329</u>	<u>411,184</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

During the period, the Group incurred HK\$175.3 million (for the six months ended 30 June 2021: HK\$97.5 million) and HK\$166.2 million (for the six months ended 30 June 2021: HK\$180.9 million) on the acquisition of property, plant and equipment and the addition of right-of-use assets, respectively.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade receivables (<i>Note</i>)	5,071,908	5,375,584
Value-added tax recoverable	257,740	324,017
Other receivables, deposits and prepayments	238,567	176,261
	<u>5,568,215</u>	<u>5,875,862</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 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Not yet due (<i>Note</i>)	4,066,498	4,466,823
Overdue within 30 days	461,926	597,586
Overdue within 31 to 60 days	237,169	174,483
Overdue within 61 to 90 days	99,715	60,948
Overdue over 90 days	206,600	75,744
	<u>5,071,908</u>	<u>5,375,584</u>

Note: The amount included notes receivables amounting to HK\$499,913,000 (31 December 2021: HK\$1,344,979,000) are held by the Group for future settlement of trade receivables. All notes receivables received by the Group are with a maturity period of less than one year.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

12. TRADE LIABILITIES AND OTHER PAYABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade payables	1,810,981	2,019,439
Deferred income (Note a)	188,287	155,719
Accrued salaries and wages	291,224	296,063
Other accrued charges	627,209	813,977
Payables arising from acquisition of property, plant and equipment	59,130	80,931
Contingent consideration for acquisition (note 19)	39,229	—
Other payables (Note b)	253,538	242,263
	3,269,598	3,608,392

Notes:

- (a) The amounts mainly represent the spare credits that grant customers the right to purchase certain amounts of spare parts for free, which are contract liabilities.
- (b) The amounts mainly represent the value-added tax payable and sundry payables.

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Not yet due	1,327,405	1,701,316
Overdue within 30 days	333,114	203,178
Overdue within 31 to 60 days	98,916	83,762
Overdue within 61 to 90 days	19,577	10,214
Overdue over 90 days	31,969	20,969
	1,810,981	2,019,439

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

13. PROVISIONS

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Current	329,976	351,944
Non-current	55,282	53,005
	<u>385,258</u>	<u>404,949</u>

The Group's provisions mainly comprise warranty provision of HK\$285,102,000 (31 December 2021: HK\$290,343,000). The movements of the warranty provision and restructuring provision are as follows:

	Warranty provision HK\$'000	Restructuring provision HK\$'000
At 1 January 2021 (audited)	270,096	37,900
Currency realignment	(4,271)	1,256
Additions	246,553	24,413
Utilization	(222,035)	(22,993)
At 31 December 2021 (audited)	290,343	40,576
Currency realignment	(10,220)	(1,654)
Arising on acquisition of business (<i>note 18</i>)	2,106	—
Additions	81,457	—
Utilization	(78,584)	(12,994)
At 30 June 2022 (unaudited)	<u>285,102</u>	<u>25,928</u>

The warranty provision represents management's best estimate of the Group's liability under the warranty period, mainly for a period of maximum of 2 years for semiconductor solutions and surface mount technology equipment based on management's prior experience.

A subsidiary of the Group was involved in a litigation with a third party in relation to the infringement of a patent for which the High Court ruled in favour of the third party. The first tranche of court hearing for the assessment of damages was held in March 2021. The second tranche of hearings is tentatively scheduled in October 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

13. PROVISIONS (Continued)

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

Based on the subsidiary's consultant's report and the directors' estimate of the expenditure required to settle the Group's obligations in relation to the litigation, a provision of approximately HK\$39,229,000 (31 December 2021: HK\$39,029,000) was made.

The remaining is mainly provision for restoration of right-of-use assets.

14. BANK BORROWINGS

At 30 June 2022, the bank borrowings bear interest at LIBOR or HIBOR plus a margin per annum (for the six months ended 30 June 2021: fixed-rate interest or interest at LIBOR or HIBOR plus a margin per annum), at an effective interest rate from 1.70% to 2.49% (31 December 2021: from 1.47% to 2.75%) per annum. During the six months ended 30 June 2022, the Group obtained new bank borrowings amounting to HK\$639,238,000 (for six months ended 30 June 2021: HK\$450,066,000) and repaid bank borrowings of HK\$289,662,000 (for six months ended 30 June 2021: HK\$408,552,000).

Note: Included in variable-rate borrowings were bank loans of HK\$1,750,000,000 (31 December 2021: HK\$1,750,000,000) which were under cash flow hedges. The interest rates for the borrowings are fixed to 2.315% and 2.38% under the interest rate swap contracts with the maturity date on 21 March 2024.

15. 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 2021	410,796	41,079
Shares issued under the Scheme	1,909	191
	412,705	41,270
At 31 December 2021 and 30 June 2022	412,705	41,270

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 2022

16. SHARE-BASED PAYMENTS

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

During the year ended 31 December 2021, the directors resolved to contribute HK\$215 million to the Scheme, pursuant to which the Trustee to subscribe or purchase 2,251,100 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 2021 (the "2021 Vesting Date"). The Trustee (i) purchased a total of 275,100 shares in the Company on the Stock Exchange, and (ii) subscribed 1,852,900 shares in the Company, prior to the 2021 Vesting Date. On the 2021 Vesting Date, the Trustee transferred 266,400 shares purchased on the Stock Exchange and 1,851,600 subscribed shares to certain Selected Employees who are connected persons and not connected persons of the Company respectively. On the same day, the Company also issued and allotted 56,300 new shares to certain Selected Employees who are not connected persons of the Company. During the year ended 31 December 2021, 76,800 share entitlements were forfeited and unallocated by the Company, which comprised 8,700 shares entitlements and 68,100 share entitlements previously awarded to Selected Employees who are connected persons and not connected persons of the Company respectively.

1,300 shares which were subscribed by the Trustee during the year ended 31 December 2021 whereas their share entitlements were forfeited shall continue to be held on trust by the Trustee as returned shares pursuant to the rules and trust deed of the Scheme.

During the period ended 30 June 2022, the directors resolved to contribute HK\$240 million to the Scheme, and a total of 3,148,600 shares in the Company are expected to be vested in Selected Employees upon the expiration of the next vesting period on 15 December 2022. The Trustee has purchased a total of 429,700 shares in the Company on the Stock Exchange.

The fair values of the shares awarded pursuant to the Scheme in 2021 and 2022 were determined with reference to the market value of the shares at the award date taking into account the exclusion of the expected dividends as the employees were not entitled to receive dividends paid prior to the vesting of the shares.

The Group recognized share-based payments for the six months ended 30 June 2022 amounting to HK\$85,630,000 (for the six months ended 30 June 2021: HK\$82,037,000) in relation to the shares awarded pursuant to the Scheme by the Company, such amount being determined by the fair value of the shares awarded at the award dates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

16. SHARE-BASED PAYMENTS (Continued)

Movement of the shares awarded to the Selected Employees under the Scheme during the period ended 30 June 2022 are as follows:

Date of award	Vesting period	Number of shares			
		At 1 January 2022 (Audited)	Awarded on 15 March 2022	Allocated as Awarded Shares during the period	At 30 June 2022 (Unaudited)
15 March 2022	15 March 2022 to 15 December 2022	—	3,148,600	(429,700)	2,718,900

Movement of the shares awarded to the Selected Employees under the Scheme during the year ended 31 December 2021 are as follows:

Date of award	Vesting period	Number of shares					
		At 1 January 2021 (Audited)	Awarded on 22 March 2021	Allocated as Awarded Shares during the year	Shares issued and vested on 15 December 2021	Shares entitlements forfeited on 15 December 2021	At 31 December 2021 (Audited)
22 March 2021	22 March 2021 to 15 December 2021	—	2,251,100	(275,100)	(1,907,900)	(68,100)	—

Note: Movement of Awarded Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK\$'000
At 1 January 2021 (audited)	—	—
Shares purchased from the market during the year	275	26,709
Awarded Shares vested	(266)	(25,864)
At 31 December 2021 and 1 January 2022 (audited)	9	845
Shares purchased from the market during the period	430	33,280
At 30 June 2022 (unaudited)	439	34,125

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

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

During the period, the emoluments of directors and other members of key management were HK\$31,350,000 (for the six months ended 30 June 2021: HK\$29,274,000).

Certain shares of the Company were awarded to the key management under the Scheme (see note 16 for details of the Scheme). The estimated fair value of such shares included in the emoluments above amounted to HK\$12,462,000 (for the six months ended 30 June 2021: HK\$9,759,000) for the six months ended 30 June 2022.

Service income and sales to a joint venture and its affiliates

During the period, there are sales of spare parts to a joint venture and its affiliates of HK\$9,893,000 (for the six months ended 30 June 2021: HK\$10,615,000) and rental services of HK\$6,468,000 (for the six months ended 30 June 2021: HK\$6,153,000). For the six months ended 30 June 2021, there was finance and accounting support service and marketing service of HK\$7,419,000 (for the six months ended 30 June 2022: nil).

18. ACQUISITION OF BUSINESS

On 30 September 2021, the Group entered into a purchase agreement to acquire 100% equity interest in Automation Engineering, Inc. ("AEi"), a company based in Tewksbury, Massachusetts, USA, at a purchase price of US\$28,107,000 (equivalent to approximately HK\$219,178,000), subject to certain adjustments as set out in the share purchase agreement ("AEi Acquisition"). AEi engages in the automotive camera active alignment market. The AEi Acquisition was completed on 1 February 2022 and has been accounted for using the acquisition method.

Acquisition-related costs have been excluded from the cost of acquisition and recognized as an expense in the period when incurred within the "general and administrative expenses" line item in the condensed consolidated statement of profit or loss. Cumulative acquisition-related costs in respect of the Acquisition amounted to HK\$4,688,000, of which HK\$1,853,000 was charged to profit or loss in the current period with the remaining amount charged to profit and loss in prior year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

18. ACQUISITION OF BUSINESS (Continued)

Assets acquired and liabilities recognized at the date of acquisition are as follows (determined on a provisional basis):

	HK\$'000
Property, plant and equipment	5,614
Intangible assets	83,158
Inventories	40,503
Trade and other receivables	38,015
Bank balances and cash	673
Trade liabilities and other payables	(18,054)
Advance payments from customers	(218)
Provision	(2,106)
	<u>147,585</u>
Net cash outflow arising on acquisition:	
Purchase consideration	219,178
Less: Cash and cash equivalents balances acquired	(673)
Consideration payable	(707)
Contingent consideration (<i>Note</i>)	(38,990)
	<u>178,808</u>
Goodwill arising on acquisition:	
Purchase consideration	219,178
Less: Fair value of identified net assets acquired	(147,585)
	<u>71,593</u>

Note: The contingent consideration arrangement required the Group to pay the seller additional earn-out payments by reference to the operating performance of AEi (i.e. revenue and EBITDA) for the period from 1 January 2021 to 31 December 2022 ("Relevant Period") pursuant to the share purchase agreement. At the date of acquisition, the directors consider that the fair value of the contingent consideration was the earn-out payments payable to the seller of AEi during the Relevant Period which is estimated to be approximately US\$5,000,000 (equivalent to approximately HK\$38,990,000) by reference to the estimated sales performance and profit forecast of AEi. The contingent consideration payable expected to be settled within twelve months from the reporting period is included in "Trade liabilities and other payables".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

18. ACQUISITION OF BUSINESS (Continued)

The trade receivables acquired in this acquisition had a fair value of HK\$29,608,000 while the gross contractual amount was HK\$31,225,000 at the date of acquisition. It would be the best estimate from management at acquisition date of the contractual cash flows expected to be collected.

Goodwill arose in AEi Acquisition because the cost of the combination includes a control premium. In addition, the consideration paid for the combination effectively included an amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of AEi. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The initial accounting for goodwill acquired in the above business combination with the fair value HK\$71,593,000 has been determined on a provisional basis, awaiting the completion of professional valuations. The amount of goodwill and intangible assets may be adjusted accordingly upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2022 is a loss of HK\$6,502,000 attributable to AEi. Revenue for the six months ended 30 June 2022 includes HK\$61,651,000 attributable to AEi.

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 2022 (unaudited)	31 December 2021 (audited)				
Foreign currency forward contracts classified as derivative financial instruments on the condensed consolidated statement of financial position	Asset — HK\$386,000	Asset — HK\$1,482,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Liability — HK\$81,314,000	Liability — HK\$41,585,000				
Interest rate swaps, designated as for hedging — classified as derivative financial instruments on the condensed consolidated statement of financial position	Assets — HK\$39,566,000	Assets — nil	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
	Liabilities — nil	Liabilities — HK\$18,793,000				

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

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 2022 (unaudited)	31 December 2021 (audited)				
Other investments (classified as equity instrument at fair value through other comprehensive income ("FVTOCI"))	Asset — HK\$61,365,000	Asset — HK\$64,202,000	Level 3	Market approach is used by comparing the latest transaction prices. Considerations such as time and condition of sale and terms of agreements are analyzed and adjustments are made, where appropriate, to arrive at an estimation of fair value.	The considerations may vary significantly due to difference in timing, condition of sale and terms of agreements, size and nature of similar business to derive the estimated fair value.	The higher the value of similar transactions, the higher the estimation of fair value derived from it, and vice versa.
Share adjustment on earn-out clause in a joint venture	Asset — HK\$145,248,000	Asset — HK\$144,386,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the group arising from the share adjustment in a joint venture, based on an appropriate discount rate.	A joint venture would meet the amount of earn-out clause by reference to the estimated sale performance and profit forecast.	The higher the amount of profit and enterprise value of a joint venture, the higher the fair value, and vice versa.
Contingent consideration receivable in other financial assets	Asset — HK\$40,013,000	Asset — HK\$39,775,000	Level 3	EBIT of a joint venture in 2021 and forecast EBIT of a joint venture during 2022 and 2023.	Forecast EBIT of a joint venture during 2022 and 2023 to achieve the EBIT target in shareholders' agreement with the shareholder of a joint venture.	Forecast EBIT of a joint venture during 2022 and 2023.
Contingent consideration for acquisition	Liability — HK\$39,229,000	N/A	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 appropriate discount rate.	AEi would meet the amount of revenue and EBITDA target by reference to the estimated sales performance and profit forecast of AEi that could achieve.	The higher the amount of revenue and EBITDA, the higher the fair value, 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 2022

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)**Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)****Reconciliation of Level 3 fair value measurements****Financial assets (liabilities)**

	Contingent consideration receivable in other financial assets HK\$'000	Share adjustment on earn-out clause in a joint venture HK\$'000	Other investments- equity instruments at FVTOCI HK\$'000	Contingent consideration for acquisition HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	—	—	111,106	—	111,106
Purchase	—	—	1,274	—	1,274
Total loss:					
— in other comprehensive income	—	—	(49,735)	—	(49,735)
— currency realignment	—	—	(843)	—	(843)
At 30 June 2021 (unaudited)	<u>—</u>	<u>—</u>	<u>61,802</u>	<u>—</u>	<u>61,802</u>
At 1 January 2022 (audited)	39,775	144,386	64,202	—	248,363
Arising on acquisition of business	—	—	—	(38,990)	(38,990)
Total gain(loss):					
— currency realignment	<u>238</u>	<u>862</u>	<u>(2,837)</u>	<u>(239)</u>	<u>(1,976)</u>
At 30 June 2022 (unaudited)	<u>40,013</u>	<u>145,248</u>	<u>61,365</u>	<u>(39,229)</u>	<u>207,397</u>

For the six months ended 30 June 2021, a net loss of HK\$49,735,000 (six months ended 30 June 2022: nil) was recognized relating to other investments classified as equity instruments at FVTOCI and was reported as changes of "fair value through other comprehensive income reserve".

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2022

20. CONTINGENT LIABILITIES

As at 30 June 2022, the Group has provided guarantees amounting to HK\$1,454,000 (31 December 2021: HK\$1,532,000) to the Singapore government for work permits of foreign workers in Singapore.

21. CAPITAL COMMITMENTS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 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	222,236	235,009

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 2022 as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions

Shares of HK\$0.10 each of the Company:

Name of director	Capacity	Number of shares held	Percentage of shareholding in the Company
Robin Gerard Ng Cher Tat	Beneficial owner	475,800 <i>(Note 1)</i>	0.12%
Guenter Walter Lauber	Beneficial owner	133,600 <i>(Note 2)</i>	0.03%

Notes:

- The 475,800 shares included an entitlement of 151,500 shares allocated to Mr. Ng by the Company on 15 March 2022 pursuant to the Scheme, which will vest upon the expiration of the vesting period on 15 December 2022. Pursuant to the Scheme, no subscription price was payable by Mr. Ng in relation to this allocation.
- The 133,600 shares included an entitlement of 57,400 shares in the Company allocated to Mr. Lauber on 15 March 2022 pursuant to the Scheme, which will vest upon the expiration of the vesting period on 15 December 2022. 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 2022, none of the Directors, chief executives of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2022, the following persons (other than the interests disclosed above in respect of directors or chief executives of the Company) had interests or short positions in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Long positions	
		Number of shares held	Percentage of shareholding in the Company
ASM International N.V.	Interest of a controlled corporation	103,003,000 (L) <i>(Note 2)</i>	24.96% (L)
ASM Pacific Holding B.V.	Beneficial owner	103,003,000 (L) <i>(Note 2)</i>	24.96% (L)
FIL Limited	Interest of controlled corporations	33,161,168 (L) <i>(Note 3)</i>	8.04% (L)
Pandanus Associates Inc.	Interest of a controlled corporation	33,161,168 (L) <i>(Note 3)</i>	8.04% (L)
Pandanus Partners L.P.	Interest of a controlled corporation	33,161,168 (L) <i>(Note 3)</i>	8.04% (L)
Schroders Plc	Investment manager	31,981,000 (L) <i>(Note 4)</i>	7.75% (L)
Brown Brothers Harriman & Co.	Agent	29,032,384 (L) <i>(Note 5)</i>	7.03% (L)
		29,032,384 (P) <i>(Note 5)</i>	7.03% (P)
Fidelity Funds	Beneficial owner	24,864,000 (L)	6.02% (L)

Notes:

- (L) — Long Position, (P) — Lending Pool
- 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.
- Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which in turn holds as to 37.01% shareholding interest in FIL Limited. FIL Limited was deemed to be interested in these 33,161,168 shares of the Company through a series of subsidiaries. Accordingly, Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited were deemed to be interested in these shares pursuant to the SFO.
- The long position of 31,981,000 shares held by Schroders Plc included derivative interests in 125,700 underlying shares of the Company derived from unlisted and cash settled derivatives.
- Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Brown Brothers Harriman & Co. on 4 June 2022, Brown Brothers Harriman & Co. was deemed to be interested in 29,032,384 shares (L) and 29,032,384 shares (P).

Save as disclosed above, as at 30 June 2022, 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.

OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiry has been made to all directors of the Company, and all of the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2022 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 2022, 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 429,700 shares in the Company at a total consideration of approximately HK\$33.2 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders’ entitlement to the interim dividend, the Register of Members of the Company will be closed from 16 August 2022 to 18 August 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:00 p.m. on 15 August 2022. The interim dividend will be paid on or about 31 August 2022.

OTHER INFORMATION (CONTINUED)**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 2021 Annual Report are set out below:

Changes in Directors' emoluments

Name of Director		On an annualised basis	Effective Date
Robin Gerard Ng Cher Tat	Salary and other benefits	HK\$4,940,000	1 July 2022
Guenter Walter Lauber	Salary	EUR412,000	1 July 2022

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

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Corporate Headquarters:
集團總部：
2 Yishun Avenue 7
Singapore 768924
Republic of Singapore

www.asmpt.com