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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

**ANNOUNCEMENT OF UNAUDITED 2019 THIRD QUARTER RESULTS FOR
THE THREE MONTHS ENDED 30 SEPTEMBER 2019**

On Track to Recovery Amidst Macro Uncertainties

Third Quarter of 2019

- * Group revenue of US\$531.3 million increased 15.1% over the preceding quarter but decreased 19.5% over the same period last year
- * Net profit of HK\$222.2 million increased 217.4% over the preceding quarter but decreased 63.1% over the same period last year
- * Earnings per share of HK\$0.55 for the third quarter 2019
- * Back-end equipment revenue of US\$232.9 million increased 12.8% over the preceding quarter but decreased 23.2% over the same period last year
- * SMT Solutions revenue of US\$235.6 million increased 19.0% over the preceding quarter but decreased 15.7% over the same period last year
- * Materials revenue of US\$62.8 million increased 9.8% over the preceding quarter but decreased 18.5% over the same period last year
- * New order bookings of US\$513.8 million decreased 14.6% and 16.9% over the preceding quarter and the same period last year, respectively
- * Cash and bank deposits of HK\$2.34 billion at the end of September 2019

First Nine Months of 2019

- * Group revenue of US\$1.46 billion decreased 22.7% over the same period last year
- * Net profit of HK\$400.5 million decreased 80.0% over the same period last year
- * Earnings per share of HK\$0.99 for the first nine months of 2019
- * Back-end equipment revenue of US\$634.9 million decreased 33.0% over the same period last year
- * SMT Solutions revenue of US\$653.3 million decreased 8.0% over the same period last year
- * Materials revenue of US\$170.5 million decreased 25.2% over the same period last year
- * New order bookings of US\$1.58 billion decreased 25.0% over the same period last year
- * Order backlog of US\$768.8 million as of 30 September 2019

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of unaudited results for the third quarter and nine months ended 30 September 2019:

RESULTS

We are pleased to report that ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) reported a revenue of HK\$4.16 billion (US\$531.3 million) for the three months ended 30 September 2019, representing an increase of 15.1% when compared with the revenue of HK\$3.61 billion (US\$460.7 million) for the preceding three-month period but a reduction of 19.5% as compared with HK\$5.17 billion (US\$658.3 million) for the same period last year.

The Group’s consolidated profit after taxation for the three months was HK\$222.2 million, which was 217.4% higher than the preceding three-month period but 63.1% lower than the corresponding period in 2018. Basic earnings per share (EPS) for the three-month period amounted to HK\$0.55 (third quarter of 2018: HK\$1.49, second quarter of 2019: HK\$0.17).

The Group reported revenue of HK\$11.43 billion (US\$1.46 billion) for the nine months ended 30 September 2019, representing a decrease of 22.7% as compared with HK\$14.78 billion (US\$1.89 billion) for the same period last year. The Group’s consolidated profit after taxation for the nine months is HK\$400.5 million which was 80.0% lower than the same period in 2018.

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 30 Sep		Nine months ended 30 Sep	
		2019	2018	2019	2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Notes</i>				
Revenue	1	4,159,354	5,166,517	11,434,143	14,782,894
Cost of sales		(2,714,347)	(3,213,153)	(7,457,034)	(8,917,407)
Gross profit		1,445,007	1,953,364	3,977,109	5,865,487
Other income		49,614	49,144	78,808	84,478
Selling and distribution expenses		(418,244)	(413,017)	(1,172,359)	(1,182,432)
General and administrative expenses		(241,612)	(256,045)	(698,048)	(762,055)
Research and development expenses		(435,951)	(422,470)	(1,264,953)	(1,186,165)
Other gains and losses		(11,836)	(84,730)	(37,143)	(77,281)
Finance costs		(42,151)	(45,695)	(169,976)	(126,697)
Profit before taxation		344,827	780,551	713,438	2,615,335
Income tax expense		(122,580)	(178,486)	(312,922)	(615,822)
Profit for the period		222,247	602,065	400,516	1,999,513
Profit (loss) for the period attributable to:					
Owners of the Company		223,304	603,363	402,791	2,004,901
Non-controlling interests		(1,057)	(1,298)	(2,275)	(5,388)
		222,247	602,065	400,516	1,999,513
Earnings per share	2				
- Basic		HK\$0.55	HK\$1.49	HK\$0.99	HK\$4.95
- Diluted		HK\$0.55	HK\$1.49	HK\$0.99	HK\$4.91

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 Sep		Nine months ended 30 Sep	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	222,247	602,065	400,516	1,999,513
Other comprehensive expense				
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	(174,778)	(132,706)	(226,165)	(243,595)
Total comprehensive income for the period	47,469	469,359	174,351	1,755,918
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	52,254	471,085	181,246	1,761,741
Non-controlling interests	(4,785)	(1,726)	(6,895)	(5,823)
	47,469	469,359	174,351	1,755,918

Notes:

1. Segment Information

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

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

	Three months ended 30 Sep		Nine months ended 30 Sep	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue from external customers				
Back-end equipment	1,823,371	2,374,612	4,977,381	7,431,167
Surface mount technology ("SMT") solutions	1,843,864	2,188,313	5,120,455	5,565,340
Materials	492,119	603,592	1,336,307	1,786,387
	4,159,354	5,166,517	11,434,143	14,782,894
Segment profit				
Back-end equipment	178,996	481,791	298,429	1,845,787
SMT solutions	226,349	435,720	648,572	975,898
Materials	18,251	26,296	48,500	110,412
	423,596	943,807	995,501	2,932,097
Interest income	6,337	7,404	18,481	26,118
Finance costs	(42,151)	(45,695)	(169,976)	(126,697)
Unallocated other income	716	460	1,670	913
Unallocated net foreign exchange loss and fair value change of foreign currency forward contracts	(14,196)	(85,381)	(54,968)	(83,842)
Unallocated general and administrative expenses	(31,488)	(40,044)	(92,216)	(133,254)
Unallocated adjustment on contingent consideration for acquisitions	2,013	-	14,946	-
Profit before taxation	344,827	780,551	713,438	2,615,335
Segment profit %				
Back-end equipment	9.8%	20.3%	6.0%	24.8%
SMT solutions	12.3%	19.9%	12.7%	17.5%
Materials	3.7%	4.4%	3.6%	6.2%

2. 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:

	Three months ended 30 Sep		Nine months ended 30 Sep	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company)	223,304	603,363	402,791	2,004,901
Add: Interest expense on convertible bonds (Note)	-	-	-	109,998
	<u>223,304</u>	<u>603,363</u>	<u>402,791</u>	<u>2,114,899</u>
Earnings for the purpose of calculating diluted earnings per share	<u>223,304</u>	<u>603,363</u>	<u>402,791</u>	<u>2,114,899</u>
	Three months ended 30 Sep		Nine months ended 30 Sep	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
	Number of Shares (in thousand)		Number of Shares (in thousand)	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	406,284	404,071	406,464	405,007
Effect of dilutive potential shares:				
- Employee Share Incentive Scheme	2,057	1,957	1,596	1,686
- Convertible bonds (Note)	-	-	-	24,001
	<u>408,341</u>	<u>406,028</u>	<u>408,060</u>	<u>430,694</u>

Note: Convertible bonds were fully redeemed on 28 March 2019 upon maturity. The computation of diluted earnings per share for the three months ended 30 September 2018 and the nine months ended 30 September 2019 did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in diluted earnings per share.

In the calculation of the diluted earnings per share for the nine months ended 30 September 2018, the Company's outstanding convertible bonds were assumed to have been fully converted into ordinary shares and the profit for the period attributable to owners of the Company was adjusted to exclude the interest expense relating to the convertible bonds.

REVIEW

Revenues for all three business segments increased in the current quarter compared with the preceding quarter, which were in line with projections.

SMT Solutions Segment's revenue at US\$235.6 million saw the biggest increase at 19.0% compared with the preceding quarter, while revenue of the Back-end Equipment Segment achieved 12.8% quarter-on-quarter ("QoQ") growth at US\$232.9 million. The Materials Segment's revenue continued its uptrend achieving QoQ increase of 9.8% with US\$62.8 million.

The Group revenue for the quarter was US\$531.3 million, which was an increase of 15.1% over the preceding quarter. This was slightly below the low end of our revenue guidance primarily due to revenue recognition of some tools having been deferred to Q4 this year.

Bookings for the Back-end Equipment and the Materials Segments increased 6.2% and 7.6% against the preceding quarter, respectively. However, these were more than offset by a reduction of 36.5% QoQ in the SMT Solutions Segment's bookings. Bookings of the SMT Solutions Segment in the preceding quarter were at a high level, close to the record quarterly bookings set in Q3 2018. The Group bookings were US\$513.8 million, a reduction of 14.6% over the preceding quarter.

Uncertainties due to the global trade tensions had resulted in customers being more cautious in the current business environment. However, we noted that customers in China seemed to be once again leading in the market recovery.

	Q3 2019 Bookings			Q3 2019 Billings		
	Amount (US\$m)	YoY	QoQ	Amount (US\$m)	YoY	QoQ
Group	513.8	-16.9%	-14.6%	531.3	-19.5%	+15.1%
Back-end Equipment Segment	262.4	-0.6%	+6.2%	232.9	-23.2%	+12.8%
Materials Segment	63.6	+17.9%	+7.6%	62.8	-18.5%	+9.8%
SMT Solutions Segment	187.8	-37.5%	-36.5%	235.6	-15.7%	+19.0%

For the first nine months this year, Group revenue and bookings declined compared with a year ago. Group revenue at US\$1.46 billion was a decline of 22.7% year-on-year ("YoY"). The Group bookings of US\$1.58 billion, represented a YoY decline of 25.0%.

Book to bill ratio for the Group in the current quarter was 0.97.

	First 9 Months 2019 Bookings		First 9 Months 2019 Billings	
	Amount (US\$m)	YoY	Amount (US\$m)	YoY
Group	1,576.0	-25.0%	1,458.7	-22.7%
Back-end Equipment Segment	732.1	-28.6%	634.9	-33.0%
Materials Segment	168.7	-17.7%	170.5	-25.2%
SMT Solutions Segment	675.2	-22.5%	653.3	-8.0%

By geographical distribution, China (inclusive of Hong Kong), Europe, Malaysia, the Americas, and Japan were the top five markets for ASMPT in the current quarter. Our top five customers collectively accounted for 14.8% of the Group's revenue for the first nine months, while 80% was attributable to 182 customers.

REVIEW - continued

Profit before tax (“PBT”) in the current quarter recorded an increase of 85.6% over the preceding quarter and net profit grew 217.4%, resulting in a net profit margin of 5.3%, an improvement of 341 bps over the preceding quarter.

On a YoY comparison, PBT of the Group at HK\$344.8 million and HK\$713.4 million respectively for the current quarter and the first nine months of the year, declined 55.8% and 72.7%.

Group gross margin was 34.7% for the current quarter and 34.8% for the nine-month period this year, representing YoY reductions of 307 bps and 489 bps, respectively. The Group gross margin was impacted by the lower than expected SMT Solutions Segment’s gross margin in Q3, attributed mainly to geographical mix.

Group	Q3 2019			First 9 months 2019	
		YoY	QoQ		YoY
Revenue (HK\$m)	4,159.4	-19.5%	+15.1%	11,434.1	-22.7%
Gross Margin	34.7%	-307 bps	-100 bps	34.8%	-489 bps
EBIT (HK\$m)	380.6	-53.5%	+72.6%	864.9	-68.2%
Net Profit (HK\$m)	222.2	-63.1%	+217.4%	400.5	-80.0%
Net Profit Margin	5.3%	-631 bps	+341 bps	3.5%	-1,002 bps

Back-end Equipment Segment

In the current quarter, the Back-end Equipment Segment maintained its steady growth from the preceding quarter, with billings of US\$232.9 million, representing a growth of 12.8% against the preceding quarter but a decline of 23.2% compared with the same period last year.

China contributed to a significant increase of the orders in the current quarter. This could be due in part to the localisation of supply chain within China in response to the imposition of trade tariffs and restrictions by its trading partners.

In terms of application segment, 5G infrastructure, high end computing, mini and micro LED and multi-cam modules continued to drive customers’ demand across the IC/Discrete, Opto and CMOS Imaging Sensor (“CIS”) Business Segments.

At the product level, revenue for Advanced Packaging (“AP”) and CIS equipment together contributed to over 50% of the revenue of the Back-end Equipment Segment in the current quarter. Demand for bonders (both Die Attach and Wire Bonders) also showed signs of stabilisation after a long period of contraction.

The Back-end Equipment Segment contributed 43.5% to the total Group billings for the first nine months and 43.9% in the current quarter. Billings for the Back-end Equipment Segment were US\$634.9 million for the first nine months, representing a decrease of 33.0% against the same period last year.

Back-end Equipment Segment achieved a gross margin of 43.4% in the current quarter, representing an improvement of 267 bps QoQ. As a result of the aggressive cost reduction efforts carried out over the past 12 months, gross margin in the current quarter only declined 0.1% YoY while revenue for the Segment declined 23.2%. Gross margin for the nine-month period was 41.3%, representing a decline of 527 bps YoY. In the current quarter, the Segment achieved segment profit growth of 168.9% QoQ.

REVIEW - continued

Back-end Equipment Segment	Q3 2019			First 9 months 2019	
		YoY	QoQ		YoY
Revenue (HK\$m)	1,823.4	-23.2%	+12.8%	4,977.4	-33.0%
Gross Margin	43.4%	-10 bps	+267 bps	41.3%	-527 bps
Segment Profit (HK\$m)	179.0	-62.8%	+168.9%	298.4	-83.8%
Segment Profit Margin	9.8%	-1,047 bps	+570 bps	6.0%	-1,884 bps

Materials Segment

Bookings for the Materials Segment have grown consecutively for three quarters. It has reached a level similar to that achieved in 2016 and 2017. The Segment also saw a 9.8% QoQ increase in its current quarter billings to US\$62.8 million although it was a decrease of 18.5% YoY. The lead frame market is clearly on track for a recovery.

The Materials Segment contributed 11.7% to the total Group billings for the first nine months and 11.8% in the current quarter.

On a nine-month basis, bookings for the Materials Segment this year contracted 17.7% against the same period last year. Bookings amounted to US\$63.6 million and US\$168.7 million for the current quarter and the first nine months, respectively.

Materials Segment achieved gross margin of 10.3% in the current quarter and 10.7% for the first nine months of this year. The Segment achieved segment profit margin of 3.7% in the quarter.

Materials Segment	Q3 2019			First 9 months 2019	
		YoY	QoQ		YoY
Revenue (HK\$m)	492.1	-18.5%	+9.8%	1,336.3	-25.2%
Gross Margin	10.3%	-63 bps	-111 bps	10.7%	-171 bps
Segment Profit (HK\$m)	18.3	-30.6%	-7.7%	48.5	-56.1%
Segment Profit Margin	3.7%	-65 bps	-70 bps	3.6%	-255 bps

SMT Solutions Segment

The SMT Solutions Segment extended its excellent performance in the current quarter, having achieved billings of US\$235.6 million, which was a 19.0% increase from the preceding quarter.

As expected, bookings for the SMT Solutions Segment decreased from the high level achieved in the preceding quarter. Bookings amounted to US\$187.8 million, representing declines of 36.5% and 37.5% compared with the preceding quarter and the same period last year, respectively. The order book of the SMT Solutions Segment continued to be underpinned by 5G infrastructure demand but this was offset by a weaker automotive application market.

For the first nine months, billings of the SMT Solutions Segment amounted to US\$653.3 million, representing a decrease of 8.0% over the same period last year. The Segment contributed 44.3% and 44.8% to the total Group billings in the current quarter and in the first nine months of this year, respectively.

Bookings for the nine-month period were US\$675.2 million, representing a drop of 22.5% as compared with the same period last year.

REVIEW - continued

The Segment achieved a gross margin of 32.7% in Q3, which was lower than expected due to our sustained effort in penetrating into the Asian customer base which typically has a relatively lower margin compared to shipment to other geographical regions in Europe and America. We achieved a segment profit margin of 12.3% in the current quarter, representing a YoY reduction of 764 bps.

SMT Solutions Segment	Q3 2019			First 9 months 2019	
		YoY	QoQ		YoY
Revenue (HK\$m)	1,843.9	-15.7%	+19.0%	5,120.4	-8.0%
Gross Margin	32.7%	-634 bps	-486 bps	34.7%	-449 bps
Segment Profit (HK\$m)	226.3	-48.1%	+8.4%	648.6	-33.5%
Segment Profit Margin	12.3%	-764 bps	-120 bps	12.7%	-487 bps

Awards and Accolades

Achievements in the current quarter went beyond financial performance as ASMPT was also the proud recipient of several accolades.

Both the Hong Kong and Singapore operations received awards for their high standard of business and quality excellence in this quarter. Our Hong Kong Operations won the HKMA Quality Grand Award presented by The Hong Kong Management Association (HKMA), while ASM Technology Singapore (ATS) won the prestigious 2019 Singapore Quality Award from the SQA Governing Council.

These awards are given to organisations that have achieved high performance, based on criteria such as their leadership, customer engagement, strategy planning, people development, processes, knowledge systems, and results. The Singapore Quality Award followed the “Singapore Quality Class” certification that ATS received last year.

In August, Forbes Asia included ASMPT in its first-ever “Asia’s Best Over A Billion” list, which spotlights 200 top-performing listed companies across Asia Pacific with revenues of US\$1 billion or more. ASMPT was also selected by Asiamoney in its “Asia’s Outstanding Companies Poll” of listed companies that have excelled in areas such as financial performance, management team excellence, investor activities and corporate social responsibility (CSR) initiatives.

PROSPECTS

Overall, the Group has achieved good level of billings for all three business segments in the current quarter. Bookings saw a moderate decline QoQ, which was partly seasonal and partly a reflection of market sentiments given the uncertainty of the continuing global trade discussions and the world economy at large.

Notwithstanding this, ASMPT is still on track to realise revenue resulting from the substantial orders for the advanced packaging panel deposition tools for high volume production of high end computing devices. Our best-in-class packaging and assembly solution for mini and micro LED has also been well accepted by leading players in this space. As the dominant tools supplier for camera modules, we are also poised to benefit from the ongoing migration to multi-cameras and the relentless innovation in camera differentiation features.

PROSPECTS - continued

Nevertheless, we remain cautious of the current slowdown in the semiconductor industry, but at the same time, we are positively optimistic of the longer-term growth potential in advanced packaging, CMOS image sensors, 5G related applications, IoT, automotive electrification, silicon photonics and mini/ micro LED displays, all of which are expected to accelerate chip demand. This will in turn broaden our market outreach beyond the traditional base of IDM, OSAT and EMS customers.

OUTLOOK

On a full year basis, all three business segments are expected to experience YoY revenue decline. We anticipate revenue in Q4 19 to be in the region of US\$460 million to US\$510 million, subject to the actual timing of revenue recognition. For Q4 19, the Materials Segment is anticipated to deliver QoQ and YoY revenue growth, while Back-end Equipment and SMT Solutions Segments are anticipated to experience QoQ and YoY revenue decline.

For the fourth quarter this year, we anticipate Group Bookings to experience double digit percentage decline from the level in the current quarter.

We expect gross margin to decrease slightly QoQ due to anticipated lower revenue.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2019.

BOARD OF DIRECTORS

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

On behalf of the Board
Lee Wai Kwong
Director

Hong Kong, 30 October 2019