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ASMPT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

Announcement Of 2023 Unaudited Interim Results For The Six Months Ended 30 June 2023

Q2 2023 Revenue Above Mid-point of Guidance Positioned Well for Generative AI and HPC Growth

Group Financial Highlights for Q2 2023

- * Revenue of HK\$3.90 billion (US\$497.4 million), -25.0% YoY and -0.4% QoQ
- * Bookings of HK\$3.02 billion (US\$384.5 million), -35.1% YoY and -14.9% QoQ
- * Gross margin of 40.1%, -158 bps YoY and -33 bps QoQ
- * Operating margin of 9.9%, -892 bps YoY and -197 bps QoQ
- * Net profit of HK\$307.9 million, -66.0% YoY and -2.3% QoQ

Group Financial Highlights for 1H 2023

- * Revenue of HK\$7.82 billion (US\$997.5 million), -25.3% YoY and -12.1% HoH
- * Bookings of HK\$6.56 billion (US\$837.5 million), -43.9% YoY and -2.7% HoH
- * Gross margin of 40.3%, -89 bps YoY and -86 bps HoH
- * Operating margin of 10.9%, -804 bps YoY and -318 bps HoH
- * Net profit of HK\$623.1 million, -64.1% YoY and -29.5% HoH
- * Interim basic earnings per share of HK\$1.52, -63.9% YoY and -29.3% HoH
- * Interim dividend per share of HK\$0.61, -53.1% YoY
- * Order backlog of HK\$7.78 billion (US\$992.6 million) as of 30 June 2023

Revenue Guidance for Q3 2023

- * US\$410 million to US\$480 million

The Directors of ASMPT Limited are pleased to announce the Group's unaudited results for the six months ended 30 June 2023:

RESULTS SUMMARY

ASMPT Limited and its subsidiaries (the "Group" or "ASMPT") delivered revenue of HK\$7.82 billion (US\$997.5 million) for the six months ended 30 June 2023, a decline of 25.3% YoY and 12.1% HoH. The Group's consolidated profit after taxation for the first half of 2023 was HK\$623.1 million, a decline of 64.1% YoY and 29.5% HoH. Basic earnings per share for the six months ended 30 June 2023 was HK\$1.52, a decline of 63.9% YoY and 29.3% HoH.

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

The Board of Directors of ASMPT Limited (the "Company") has declared an interim dividend of HK\$0.61 (2022: HK\$1.30) per share, payable to shareholders whose names appear on the Register of Members of the Company on 18 August 2023.

For the purpose of determining shareholders' entitlement to the abovementioned interim dividend, the Register of Members of the Company will be closed from 16 August 2023 to 18 August 2023, both days inclusive, during which period no share transfers can be registered. In order to qualify for the abovementioned interim dividend, all transfers accompanied by the relevant share certificates, must be lodged with the 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 2023. The interim dividend will be paid on or about 31 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The performance review for the first six months of 2023 will begin with notable business highlights, followed by a financial review of the Group and its Segments: the Semiconductor Solutions Segment ("SEMI") and SMT Solutions Segment ("SMT").

1H 2023 Group Business Highlights

For the first half of 2023, the Group continued to be impacted by weak industry conditions, marked by conservative consumer spending and capex investment, and on-going inventory digestion.

SMT continued its resilient performance and its revenue exceeded that of SEMI for the fourth consecutive quarter. Recovery for SEMI is taking longer than anticipated as factory utilisation of its customer base, while showing gradual improvement, has not yet reached optimum levels.

Amidst a prolonged semiconductor downturn, the Group's unique and broad portfolio, coupled with its role as a key partner in the technology roadmaps of major customers, provides strong foundations for future growth. In particular, the Group stands to benefit from Advanced Packaging ("AP"), driven by strong growth in generative AI and High Performance Computing ("HPC"), as well as Automotive.

AP: Positioned Well for Generative AI and HPC Growth

The Group's AP solutions delivered 1H 2023 revenue of about US\$195 million, or 19% of Group revenue, with its **Thermo Compression Bonding** ("TCB") solutions contributing the most to this AP revenue.

The Group is in deep collaborations with key customers to enable the strong growth in generative AI, which requires high precision bonding solutions and optimal total cost of ownership:

MANAGEMENT DISCUSSION AND ANALYSIS - continued

TCB: The Group is in a commanding position to address crucial logic and memory packaging bottlenecks in generative AI. For logic, the Group is enabling major customers in Chip-to-Wafer and Chip-to-Substrate processes that are critical for the heterogeneous integration and assembly of AI computing packages in increasingly sophisticated configurations. For high-bandwidth memory (“HBM”), the Group’s solutions fulfil demanding packaging requirements for next-generation HBM. As generative AI proliferates, customers will migrate to these advanced HBM packages to meet increased storage and processing demands.

The Group’s TCB solutions are capable of handling a variety of interconnect types. It is uniquely positioned to benefit from the accelerated adoption of TCB due to the increasing number of interconnects required by complex AI packages. Order flow for logic is promising from foundry and OSAT customers. In particular, demand from its foundry customer base is growing due to expansion for AP capacity. For memory, the Group won repeat orders for HBM and it continues to engage deeply with multiple memory players. The Group is therefore confident of more TCB order flow for both logic and memory in 2H 2023.

Other AP: The Group’s **Mass Reflow High Precision Die-bonding** solutions are benefitting from generative AI, with continuous order flow from top tier global customers. In **Hybrid Bonding**, the Group continues its engagement with key customers for qualification in various end-market applications, including memory.

Generative AI’s increasing demand also benefits other tools in the Group’s portfolio:

Silicon Photonics (“SiPh”): The high placement accuracy of the Group’s market leading solutions are relevant for SiPh and Co-Packaged Optic devices such as optical transceivers and photonic engines. The Group received repeat orders for its tools to support a key customer’s transceiver expansion plans to meet generative AI’s high bandwidth transfer requirements and it expects more such orders in 2H 2023.

SMT Placement Tools: There is traction in the server business driven by AI applications for the Group’s SMT placement tools that provide flexibility for customers in terms of handling larger server board weights and sizes.

The complex chip architectures required by generative AI and HPC packages are also benefitting the Group’s **Laser Singulation** solutions, which have seen preliminary engagements with global IDMs, as well as its market-leading **Panel Electrochemical Deposition Tools** that serve HPC applications requiring more advanced substrates with larger form factors and finer line/space.

Automotive Contributing Strongly, but Normalising

For 1H 2023, the Group’s Automotive end market applications contributed the highest proportion of Group revenue at approximately US\$230 million or 23% of 1H 2023 Group revenue. This contribution spanned across the Group’s mainstream solutions, particularly SMT placement tools, molding tools and die bonders.

While the Group’s Automotive solutions have contributed strongly to its overall performance in the last two years, this sector has begun to normalise. Nevertheless, demand from EV players and for Silicon Carbide applications remain robust. The Group’s Automotive solutions continue to bag design wins that will eventually translate into High Volume Manufacturing demand.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

Group Financial Review

(in HK\$ million)	Q2 2023	QoQ	YoY	1H 2023	HoH	YoY
Bookings	3,016.4 (US\$384.5 million)	-14.9%	-35.1%	6,562.3 (US\$837.5 million)	-2.7%	-43.9%
Revenue	3,900.9 (US\$497.4 million)	-0.4%	-25.0%	7,818.4 (US\$997.5 million)	-12.1%	-25.3%
Gross Margin	40.1%	-33 bps	-158 bps	40.3%	-86 bps	-89 bps
Operating Margin	9.9%	-197 bps	-892 bps	10.9%	-318 bps	-804 bps
Net Profit	307.9	-2.3%	-66.0%	623.1	-29.5%	-64.1%
Net Profit Margin	7.9%	-15 bps	-949 bps	8.0%	-196 bps	-860 bps

1H 2023 Group Financial Review

Group Revenue declined YoY and HoH, due mostly to SEMI, while SMT revenue held steady. Group revenue was influenced by the following:

- (i) The Automotive market had the highest contribution to Group revenue at approximately 23%, mostly from mainstream solutions across both SMT and SEMI;
- (ii) The Industrial market remained robust and contributed about 18% to Group revenue, mostly from SMT; and
- (iii) The Consumer, Communication and Computers markets combined continued to be weak due to market sentiment.

Geographically, contribution from China (including Hong Kong) declined YoY and its share of Group revenue was reduced from 44% to 30%, while revenue from Europe and the Americas grew from 15% to 30% and 9% to 19%, respectively. Customer concentration risk continued to remain low for the Group with its top five customers accounting for approximately 20% of 1H 2023 revenue.

Group bookings decreased slightly by 2.7% HoH due to SMT, while SEMI grew from a low base. Bookings declined 43.9% YoY, mainly due to a high base effect. Contributions from AP, Automotive and Industrial end markets accounted for approximately 57% of Group bookings in 1H 2023. The Group ended 1H 2023 with a backlog of HK\$7.78 billion (US\$992.6 million) and a book-to-bill ratio of 0.84.

Group gross margin declined slightly, partly due to segment mix as SMT contributed about 59% to Group revenue in 1H 2023.

The Group's operating margin and net profit YoY and HoH were adversely impacted by lower sales volume.

As of 30 June 2023, the Group maintained a healthy liquidity position with gross cash and bank deposits totalling HK\$3.77 billion while bank borrowings were at HK\$2 billion.

Q2 2023 Group Financial Review

Group Q2 revenue was flat QoQ, while bookings declined due to the ongoing industry downcycle. Both revenue and bookings declined YoY mainly due to a high base effect.

Group gross margin declined, mainly due to SEMI, but was partially offset by margin improvement from SMT.

The Group's overall profitability declined marginally QoQ, while YoY declines were due to lower sales volume.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

Semiconductor Solutions Segment Financial Review

(in HK\$ million)	Q2 2023	QoQ	YoY	1H 2023	HoH	YoY
Bookings	1,269.3 (US\$161.8 million)	-15.5%	-40.5%	2,771.6 (US\$353.7 million)	+6.1%	-55.6%
Revenue	1,655.2 (US\$211.1 million)	+7.4%	-46.1%	3,196.3 (US\$407.8 million)	-21.9%	-46.9%
Gross Margin	42.7%	-243 bps	-201 bps	43.8%	-68 bps	-86 bps
Segment Profit	27.5	-27.8%	-95.5%	65.6	-84.0%	-94.7%
Segment Profit Margin	1.7%	-81 bps	-1842 bps	2.1%	-800 bps	-1859 bps

SEMI contributed about 42% to Group Q2 2023 revenue. Revenue increased QoQ from a low base. Revenue for the segment was mainly impacted by the following developments in its Business Units (“BU”):

- (i) The IC/Discrete BU had stable QoQ revenue, with the highest revenue contribution from TCB. There was also some uptick in the contribution from the BU’s mainstream tools.
- (ii) The Optoelectronics BU recorded higher revenue QoQ. Revenue growth was mainly driven by wire bonders for Conventional Displays. The BU’s high-end Silicon Photonics applications also registered growth.
- (iii) The CIS BU’s revenue remained relatively low due to continued weakness in the global smartphone market.

SEMI bookings declined QoQ and YoY due to the ongoing semiconductor downcycle, while the declines in its gross margin QoQ and YoY were due to a higher mix of wire bonders and volume effects, respectively.

SMT Solutions Segment Financial Review

(in HK\$ million)	Q2 2023	QoQ	YoY	1H 2023	HoH	YoY
Bookings	1,747.1 (US\$222.7 million)	-14.5%	-30.6%	3,790.6 (US\$483.8 million)	-8.2%	-30.4%
Revenue	2,245.7 (US\$286.3 million)	-5.5%	+5.3%	4,622.1 (US\$589.7 million)	-3.7%	+3.7%
Gross Margin	38.2%	+81 bps	+85 bps	37.8%	-45 bps	+142 bps
Segment Profit	428.2	-10.8%	+7.0%	908.3	-8.0%	+8.4%
Segment Profit Margin	19.1%	-114 bps	+30 bps	19.7%	-92 bps	+85 bps

SMT’s revenue performance remained relatively stable, contributing about 58% of Group Q2 2023 revenue. Industrial and Automotive applications combined made up almost half of SMT revenue with demand mostly from Europe.

SMT has enjoyed a high level of bookings for more than two years and entered a normalisation phase. SMT bookings were driven mostly by Industrial and Automotive end-markets.

Segment gross margin increased QoQ and YoY mainly due to a favourable product mix.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

OUTLOOK

The Group's growth prospects remain strong due to long term structural trends of automotive electrification, smart factories, green infrastructure, 5G, IoT, and HPC fuelled by generative AI growth. The Group has a key competitive advantage as a major supplier and technology partner across many applications and solution areas.

Near term visibility continues to be limited due to uncertainty in the macroeconomic environment, marked by persistent inflation, tepid consumer sentiment and ongoing inventory digestion.

With these considerations in mind, the Group expects revenue for Q3 2023 to be between US\$410 million to US\$480 million (-23.4% YoY and -10.5% QoQ at midpoint), mainly due to SMT normalising.

RESEARCH AND DEVELOPMENT

The Group's continued commitment to investing in research and development ("R&D") across the industry cycles is critical to its objective of remaining at the forefront of technology development. This emphasis on R&D positions the Group well to capitalize on technological breakthroughs required for tapping secular growth opportunities. A good example is the Group's investment in progressively evolving TCB solutions, putting it in a commanding position to address current industry bottlenecks and capture growth from generative AI and HPC demand.

With a global workforce of more than 2,500, the Group operates several R&D centres worldwide: the Americas (Boston), Asia (Chengdu, Hong Kong, Huizhou, Sanhe, Shenzhen, Suzhou, Singapore and Taoyuan) and Europe (Beuningen, Munich, Porto, Regensburg and Weymouth). For 1H 2023, the Group invested around HK\$1 billion in R&D. To date, the Group has delivered about 2,000 patents and patent applications.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 30 June 2023 were HK\$3.77 billion (31 December 2022: HK\$4.42 billion). Capital additions during the period amounted to HK\$227.8 million (1H 2022: HK\$212.9 million), which was fully funded by the period's depreciation and amortization of HK\$244.6 million (1H 2022: HK\$249.1 million), excluding the depreciation of right-of-use assets of HK\$110.0 million (1H 2022: HK\$114.9 million) due to HKFRS 16 application.

As of 30 June 2023, the debt-to-equity ratio was 0.127 (31 December 2022: 0.142). The Group had available banking facilities of HK\$3.42 billion (US\$435.8 million) (31 December 2022: HK\$3.40 billion (US\$435.6 million)) in the form of bank loans and overdraft facilities, of which HK\$1.87 billion (US\$238.3 million) (31 December 2022: HK\$1.86 billion (US\$238.5 million)) were committed borrowing facilities. Bank borrowings, which are mainly to support day-to-day operations and capital expenditure, are denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

LIQUIDITY AND FINANCIAL RESOURCES - continued

The Group had unsecured bank borrowings of HK\$2.00 billion as of 30 June 2023 (31 December 2022: HK\$2.25 billion), consisting of variable-rate syndicated loan. These bank borrowings are repayable by instalments. The syndicated loan is repayable by instalments from March 2022 to March 2024. The Group uses interest rate swaps to mitigate its exposure of the cash flow changes of the variable-rate syndicated loan by swapping HK\$1.75 billion (31 December 2022: HK\$1.75 billion) of the syndicated loan from variable rates to fixed rates. The Group's equity attributable to owners of the Company was HK\$15.60 billion as of 30 June 2023 (31 December 2022: HK\$15.74 billion).

As of 30 June 2023, cash holdings of the Group were mainly in US dollars, Euros and Chinese RMB. The Group entered into HK dollar and Euro hedging contracts to mitigate foreign currency exposure of the inter-company loans denominated in Euro. SMT 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.

SIGNIFICANT INVESTMENT

As at 30 June 2023, 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 announcement, 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.

HUMAN RESOURCES

The Group deeply appreciates the contributions of its employees worldwide for their unwavering commitment during an industry downturn. Several cost optimisation measures were put in place to mitigate the effects of the downturn and they were well supported by the Group's employees, exhibiting a true team spirit. At the same time, the Group's HR efforts continue to focus on introducing and enhancing initiatives that create an inclusive and positive work culture and employee experience. As part of these measures, the Group recently successfully launched the 'Global People System', a global HR system aimed at improving the entire employee digital experience, which encompasses transactions, engagement, growth and development. This HR system has already been implemented for Asia and the Americas and will soon be rolled out for Europe. Other recent HR initiatives include the kick-off for the establishment of global job grades and career structures and a Leadership Development Centre, which will collectively strengthen the Group's leadership pipeline and succession efforts.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

HUMAN RESOURCES - continued

As of 30 June 2023, total headcount for the Group was approximately 11,300, which excludes some 700 flexi workers and outsourced workers. Of this 11,300, approximately 1,000 are based in Hong Kong, 5,100 in mainland China, 1,100 in Singapore, 1,100 in Germany, 900 in Malaysia, 400 in Portugal, 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 1H 2023 was HK\$2.49 billion versus HK\$2.68 billion over the same period in 2022. The Group continues its commitment to fairly remunerate its employees while manoeuvring through the prolonged semiconductor downcycle with a prudent and measured approach towards managing overall manpower costs.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>Notes</i>				
Revenue	2	3,900,866	5,203,691	7,818,359	10,471,105
Cost of sales		(2,336,741)	(3,035,014)	(4,670,614)	(6,161,973)
Gross profit		1,564,125	2,168,677	3,147,745	4,309,132
Other income		28,285	21,425	56,365	34,718
Selling and distribution expenses		(405,385)	(424,666)	(795,580)	(840,066)
General and administrative expenses		(257,845)	(239,223)	(499,582)	(481,167)
Research and development expenses		(514,083)	(524,499)	(999,987)	(1,003,646)
Other gains and losses	5	43,450	131,518	19,784	165,461
Other expenses		(7,740)	(11,646)	(15,584)	(27,126)
Finance costs	6	(27,629)	(29,646)	(57,010)	(59,072)
Share of result of a joint venture		11,494	66,701	22,911	115,810
Profit before taxation		434,672	1,158,641	879,062	2,214,044
Income tax expense	7	(126,731)	(254,125)	(255,993)	(479,368)
Profit for the period		307,941	904,516	623,069	1,734,676
Profit (loss) for the period, attributable to:					
Owners of the Company		307,489	904,378	625,376	1,736,713
Non-controlling interests		452	138	(2,307)	(2,037)
Profit for the period		307,941	904,516	623,069	1,734,676
Earnings per share	9				
- Basic		HK\$0.75	HK\$2.19	HK\$1.52	HK\$4.21
- Diluted		HK\$0.74	HK\$2.19	HK\$1.51	HK\$4.20

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period	307,941	904,516	623,069	1,734,676
Other comprehensive income (expense)				
<i>Item that will not be reclassified to profit or loss:</i>				
- net fair value gain on investments in equity instruments at fair value through other comprehensive income	2,275	-	2,520	-
<i>Items that may be reclassified subsequently to profit or loss:</i>				
- exchange differences on translation of foreign operations				
- subsidiaries	(254,083)	(557,317)	(6,798)	(602,779)
- a joint venture	(23,981)	(17,846)	(11,399)	(13,133)
- fair value gain (loss) on hedging instruments designated as cash flow hedges	851	15,734	(16,350)	58,359
	(277,213)	(559,429)	(34,547)	(557,553)
Other comprehensive (expense) income for the period	(274,938)	(559,429)	(32,027)	(557,553)
Total comprehensive income for the period	33,003	345,087	591,042	1,177,123
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	40,777	354,171	598,272	1,186,939
Non-controlling interests	(7,774)	(9,084)	(7,230)	(9,816)
	33,003	345,087	591,042	1,177,123

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
<i>Notes</i>		
Non-current assets		
Property, plant and equipment	2,177,286	2,230,635
Right-of-use assets	1,519,175	1,553,341
Investment properties	64,587	69,485
Goodwill	964,333	928,313
Intangible assets	1,046,279	1,041,763
Other investments	72,116	38,051
Interest in a joint venture	1,527,478	1,515,966
Other financial assets	39,765	39,765
Deposits paid for acquisition of property, plant and equipment	30,820	31,529
Rental deposits paid	30,334	30,798
Derivative financial instruments	156,300	215,020
Deferred tax assets	531,224	529,223
Long-term bank deposits	2,129	14,450
Other non-current assets	6,627	22,762
	8,168,453	8,261,101
Current assets		
Inventories	6,969,053	7,450,163
Trade and other receivables	4,523,786	4,543,672
Amounts due from a joint venture and its affiliates	20,339	21,111
Derivative financial instruments	91,631	49,479
Income tax recoverable	32,370	39,989
Pledged bank deposits	-	570
Bank deposits with original maturity of more than three months	231,673	147,560
Cash and cash equivalents	3,533,161	4,262,886
	15,402,013	16,515,430
Current liabilities		
Trade liabilities and other payables	2,257,059	2,879,409
Advance payments from customers	1,034,678	1,093,944
Amounts due to a joint venture and its affiliates	13,114	13,431
Derivative financial instruments	4,841	14,253
Lease liabilities	182,116	188,807
Provisions	310,769	333,537
Income tax payable	399,226	473,212
Bank borrowings	2,000,000	250,000
	6,201,803	5,246,593
Net current assets	9,200,210	11,268,837
	17,368,663	19,529,938

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- continued

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Capital and reserves		
Share capital	41,250	41,287
Dividend reserve	251,628	783,758
Other reserves	15,302,586	14,913,461
Equity attributable to owners of the Company	<u>15,595,464</u>	15,738,506
Non-controlling interests	<u>111,795</u>	119,025
Total equity	<u><u>15,707,259</u></u>	<u>15,857,531</u>
Non-current liabilities		
Bank borrowings	-	2,000,000
Lease liabilities	1,298,710	1,320,395
Retirement benefit obligations	109,539	98,787
Provisions	52,441	54,453
Deferred tax liabilities	127,821	148,188
Other liabilities and accruals	72,893	50,584
	<u>1,661,404</u>	3,672,407
	<u><u>17,368,663</u></u>	<u>19,529,938</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, other investments, other financial assets 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 2023 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

1. PRINCIPAL ACCOUNTING POLICIES - continued

Impacts and changes in accounting policies on application of Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 *Income Taxes* requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis.

Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately.

The Group also recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

2. SEGMENT INFORMATION

The Group has two (2022: two) operating segments: development, production and sales of (1) semiconductor solutions and (2) surface mount technology solutions. They represent two (2022: 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 (2022: 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 (loss) and fair value change of foreign currency

2. SEGMENT INFORMATION - continued

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment revenue from external customers		
Semiconductor solutions	3,196,285	6,014,320
Surface mount technology solutions	4,622,074	4,456,785
	7,818,359	10,471,105
Segment profit		
Semiconductor solutions	65,595	1,241,502
Surface mount technology solutions	908,265	837,887
	973,860	2,079,389
Interest income	34,515	9,761
Finance costs	(57,010)	(59,072)
Unallocated other income and other gain	10,925	13,488
Unallocated net foreign exchange gain and fair value change of foreign currency forward contracts	16,458	164,890
Unallocated general and administrative expenses	(107,013)	(83,096)
Share of result of a joint venture	22,911	115,810
Other expenses	(15,584)	(27,126)
Profit before taxation	879,062	2,214,044
Segment profit %		
Semiconductor solutions	2.1%	20.6%
Surface mount technology solutions	19.7%	18.8%

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.

2. SEGMENT INFORMATION – continued

Geographical analysis of revenue by location of customers

	Revenue from external customers	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Europe	2,342,068	1,616,988
- Germany	733,752	481,259
- Austria	262,582	58,406
- Romania	183,945	147,544
- Hungary	172,142	151,526
- France	107,057	101,750
- Czech Republic	106,132	56,958
- Netherland	101,272	81,752
- Poland	79,240	109,300
- Others	595,946	428,493
Mainland China	2,010,601	3,983,272
Americas	1,481,957	985,200
- United States of America	1,104,206	647,150
- Mexico	114,628	133,187
- Canada	88,865	20,843
- Others	174,258	184,020
Malaysia	480,246	1,048,784
Hong Kong	333,843	668,994
Taiwan	258,201	766,410
Korea	223,072	285,973
Thailand	171,405	244,608
India	135,962	117,320
Japan	125,225	295,534
Vietnam	124,786	199,902
Philippines	62,679	156,706
Singapore	58,799	78,325
Others	9,515	23,089
	7,818,359	10,471,105

3. ANALYSIS OF QUARTERLY REVENUE AND RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2023

	Three months ended		
	30 June 2023	31 March 2023	30 June 2022
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
Segment revenue from external customers			
Semiconductor solutions	1,655,186	1,541,099	3,071,737
Surface mount technology solutions	2,245,680	2,376,394	2,131,954
	3,900,866	3,917,493	5,203,691
Segment profit			
Semiconductor solutions	27,499	38,096	616,840
Surface mount technology solutions	428,151	480,114	400,057
	455,650	518,210	1,016,897
Interest income	15,220	19,295	4,322
Finance costs	(27,629)	(29,381)	(29,646)
Unallocated other income and other gain	5,514	5,411	7,986
Unallocated net foreign exchange gain (loss) and fair value change of foreign currency forward contracts	40,760	(24,302)	133,486
Unallocated general and administrative expenses	(58,597)	(48,416)	(29,459)
Share of result of a joint venture	11,494	11,417	66,701
Other expenses	(7,740)	(7,844)	(11,646)
Profit before taxation	434,672	444,390	1,158,641
Segment profit %			
Semiconductor solutions	1.7%	2.5%	20.1%
Surface mount technology solutions	19.1%	20.2%	18.8%

4. PROFIT BEFORE TAXATION

Six months ended 30 June	
2023	2022
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit before taxation has been arrived at after charging (crediting):

Depreciation for property, plant and equipment	187,399	197,428
Depreciation for right-of-use assets	109,961	114,896
Depreciation for investment properties	2,450	2,486
Amortization for intangible assets	54,800	49,225
Government grants (included in other income)	(9,067)	(7,938)

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\$16.5 million (for the six months ended 30 June 2022: HK\$164.9 million) and net gain on disposal/write-off of property, plant and equipment of HK\$3.4 million (for the six months ended 30 June 2022: HK\$3.0 million).

6. FINANCE COSTS

Six months ended 30 June	
2023	2022
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Interest on bank borrowings	49,897	18,462
Interest on lease liabilities	24,759	25,885
Others	3,590	5,684
	78,246	50,031
Net (gain) loss on interest rate swaps designated as cash flow hedges	(21,236)	9,041
	57,010	59,072

7. INCOME TAX EXPENSE

Six months ended 30 June

2023	2022
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The charge (credit) comprises:

Current tax:

Hong Kong	14,863	24,242
People's Republic of China ("PRC") Enterprise Income Tax	10,978	60,322
Germany	218,308	235,426
Other jurisdictions	43,424	143,796
	287,573	463,786
(Over) under-provision in prior years	(12,570)	26,693
	275,003	490,479
Deferred tax credit	(19,010)	(11,111)
	255,993	479,368

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 2023 and 2022.
- (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 2023 (for the six months ended 30 June 2022: 25%), except for ASMPT Technology (China) Co., Ltd. ("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%. Based on local regulations, starting from 2022, ATC's ATSE recognition is subject to annual review and re-accreditation every three years. ATC's re-accreditation of ATSE recognition has been approved in October 2022 and the renewed ATSE certificate is obtained with validation till October 2025.

7. INCOME TAX EXPENSE – continued

- (c) ASMPT Singapore Pte. Ltd. ("ATS") has been granted a Pioneer Certificate ("PC") to the effect that profits arising from the manufacture of certain semiconductor products are exempted from tax for a period of 10 years effective from 1 January 2022 to 31 December 2031 across specified products, subject to fulfillment of certain criteria during the relevant periods.

ATS has also been granted a Development and Expansion Incentive ("DEI") to the effect that certain income arising from qualifying activities conducted by ATS, are subject to a concessionary tax rate for a period of 10 years from 1 January 2021 to 31 December 2030, subject to fulfillment of certain criteria during the relevant period.

Income of ATS arising from activities not covered under the PC or DEI are taxed at the prevailing corporate tax rate in Singapore of 17% (for the six months ended 30 June 2022: 17%).

- (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 2022: 15.00%) plus 5.50% (for the six months ended 30 June 2022: 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 2022: 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 11.187% to 17.150% (for the six months ended 30 June 2022: 12.465% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 27.012% and 32.975% (for the six months ended 30 June 2022: between 28.290% 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.

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Dividend recognized as distribution during the period</u>		
Final dividend for 2022 paid of HK\$1.90 (2022: final dividend for 2021 paid of HK\$2.60) per share on 412,504,333 (2022: 412,705,333) shares	783,758	1,073,034
<u>Dividend declared after the end of the interim reporting period</u>		
Interim dividend for 2023 of HK\$0.61 (2022: HK\$1.30) per share on 412,504,333 (2022: 412,705,333) shares	251,628	536,517

The dividend declared after 30 June 2023 will be paid to the shareholders of the Company whose names appear on the Register of Members on 18 August 2023.

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	625,376	1,736,713
	Six months ended 30 June	
	2023	2022
	Number of shares	
	(in thousands)	
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	412,397	412,523
Effect of dilutive potential shares:		
- Employee Share Incentive Scheme	394	806
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	412,791	413,329

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade receivables (Note)	4,104,303	4,114,370
Value-added tax recoverable	167,917	225,657
Other receivables, deposits and prepayments	251,566	203,645
	<u>4,523,786</u>	<u>4,543,672</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 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Not yet due (Note)	3,098,799	2,951,052
Overdue within 30 days	471,172	450,613
Overdue 31 to 60 days	165,345	160,510
Overdue 61 to 90 days	126,847	212,935
Overdue over 90 days	242,140	339,260
	<u>4,104,303</u>	<u>4,114,370</u>

Note: The amount included notes receivables amounting to HK\$146,062,000 (31 December 2022: HK\$144,179,000) 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.

11. TRADE LIABILITIES AND OTHER PAYABLES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade payables	1,037,206	1,400,310
Deferred income (Note a)	152,541	166,677
Accrued salaries and wages	274,815	285,712
Other accrued charges	457,661	657,104
Payables arising from acquisition of property, plant and equipment	64,551	73,760
Gross obligation to acquire non-controlling interest	43,384	44,780
Other payables (Note b)	226,901	251,066
	2,257,059	2,879,409

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 or accruals of operating expenses.

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 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Not yet due	752,228	1,013,692
Overdue within 30 days	108,462	165,451
Overdue 31 to 60 days	70,167	82,488
Overdue 61 to 90 days	61,855	67,439
Overdue over 90 days	44,494	71,240
	1,037,206	1,400,310

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.

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 2023.

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

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2023 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 2023, 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 Company’s Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 361,500 shares in the Company at a total consideration of approximately HK\$22.8 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

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, Mr. Eric Tang Koon Hung, Mr. Andrew Chong Yang Hsueh and Ms. Hera Siu Kitwan as Independent Non-Executive Directors, Mr. Benjamin Loh Gek Lim and Mr. Paulus Antonius Henricus Verhagen as Non-Executive Directors, and Mr. Robin Gerard Ng Cher Tat and Mr. Guenter Walter Lauber as Executive Directors.

On behalf of the Board
Robin Gerard Ng Cher Tat
Director

Hong Kong, 25 July 2023