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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2017 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

ASMPT Sets Many New Records in 2017

2017

- * **Record Group revenue of US\$2.25 billion, representing an increase of 23.0% over the preceding year**
- * **Net profit of HK\$2.80 billion and earnings per share of HK\$6.90, representing a surge of 94.4% over the preceding year**
- * **Record Back-end equipment revenue of US\$1.11 billion, representing an increase of 19.5% over 2016**
- * **Record Materials revenue of US\$275.2 million, representing an increase of 14.5% over 2016**
- * **Record SMT solutions revenue of US\$865.9 million, representing an increase of 30.9% over 2016**
- * **Record new order bookings of US\$2.34 billion, representing an increase of 24.7% over 2016**
- * **Book to bill ratio was 1.04**
- * **Cash and bank deposits of HK\$3.06 billion at the end of December 2017**

Second Half of 2017

- * **Record half-year Group revenue of US\$1.20 billion, representing increases of 21.0% and 14.1% over the second half of 2016 and the first half of 2017, respectively**
- * **Net profit of HK\$1.32 billion and earnings per share of HK\$3.24, representing an increase of 37.6% over the same period of 2016 and a decrease of 11.1% over the first half of 2017**
- * **Half-year Back-end equipment revenue of US\$539.0 million, representing an increase of 6.3% over the second half of 2016 and a decrease of 4.7% over the first half of 2017**
- * **Record half-year Materials revenue of US\$139.3 million, representing increases of 12.8% and 3.1% over the second half of 2016 and first half of 2017, respectively**
- * **Record half-year SMT solutions revenue of US\$517.1 million, representing increases of 44.6% and 49.0% over the second half of 2016 and the first half of 2017, respectively**
- * **New order bookings of US\$1.07 billion, representing an increase of 18.1% as compared with the second half of 2016 and a decrease of 15.6% over the first half of 2017**

Fourth Quarter of 2017

- * **Group revenue of US\$541.5 million, representing an increase of 20.1% over the fourth quarter of 2016 and a decrease of 17.3% over the preceding quarter**
- * **Net profit of HK\$453.0 million and earnings per share of HK\$1.12, representing an increase of 19.8% over the fourth quarter of 2016 and a decrease of 47.5% over the preceding quarter**
- * **Group bookings increased by 5.5% as compared with the fourth quarter of 2016 and decreased by 13.6% over the preceding quarter**
- * **Backlog amounted to US\$538.6 million as of end 2017, an increase of 27.2% compared with a year ago**

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of audited results for the year ended 31 December 2017:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) achieved revenue of **HK\$17.52 billion (US\$2.25 billion)** in the fiscal year ended 31 December 2017, which was 23.0% higher than the revenue of HK\$14.25 billion (US\$1.84 billion) in the previous year. The Group’s consolidated profit after taxation for the year is **HK\$2.80 billion**; which is a surge of 94.4% from the previous year’s net profit of HK\$1.44 billion. Basic earnings per share (EPS) for the year amounted to **HK\$6.90** (2016: HK\$3.61).

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

We continue to believe in returning excess cash to our shareholders as dividends. After considering the Group’s short term needs and our cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of **HK\$1.30** (2016: final dividend of HK\$1.10) per share. Together with the interim dividend of HK\$1.20 (2016: HK\$0.80) per share paid in August 2017, the total dividend payment for year 2017 will be **HK\$2.50** (2016: HK\$1.90) per share.

The proposed final dividend of **HK\$1.30** per share, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 May 2018 (“2018 AGM”), is to be payable on Friday, 25 May 2018 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 15 May 2018.

The Register of the Members of the Company will be closed during the following periods:

- (i) From Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2018 AGM. In order to be eligible to attend and vote at the 2018 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited not later than 4:00 p.m. on Wednesday, 2 May 2018; and
- (ii) From Monday, 14 May 2018 to Tuesday, 15 May 2018, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited not later than 4:00 p.m. on Friday, 11 May 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 31 Dec		Year ended 31 Dec	
		2017	2016	2017	2016
		(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
	<i>Notes</i>				
Revenue	2	4,227,229	3,520,889	17,522,713	14,249,093
Cost of sales		(2,568,194)	(2,197,740)	(10,471,339)	(8,891,618)
Gross profit		1,659,035	1,323,149	7,051,374	5,357,475
Other income		16,754	47,658	88,410	78,433
Selling and distribution expenses		(432,485)	(321,920)	(1,497,944)	(1,277,326)
General and administrative expenses		(276,180)	(207,805)	(937,624)	(785,079)
Research and development expenses		(381,639)	(334,163)	(1,436,191)	(1,242,775)
Other gains and losses	6	(19,849)	1,438	(33,360)	(51,348)
Restructuring costs	7	-	(17,494)	-	(97,899)
Adjustment of liability component of convertible bonds	5	-	-	202,104	-
Finance costs	8	(36,913)	(44,090)	(162,489)	(188,532)
Profit before taxation		528,723	446,773	3,274,280	1,792,949
Income tax expense	9	(75,747)	(68,722)	(478,578)	(354,567)
Profit for the period		452,976	378,051	2,795,702	1,438,382
Profit for the period attributable to:					
Owners of the Company		457,941	386,641	2,815,473	1,463,864
Non-controlling interests		(4,965)	(8,590)	(19,771)	(25,482)
		452,976	378,051	2,795,702	1,438,382
Earnings per share	11				
- Basic		HK\$1.12	HK\$0.95	HK\$6.90	HK\$3.61
- Diluted		HK\$1.12	HK\$0.95	HK\$6.35	HK\$3.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 Dec		Year ended 31 Dec	
	2017	2016	2017	2016
	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
Profit for the period	452,976	378,051	2,795,702	1,438,382
Other comprehensive income (expense)				
- exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	104,846	(234,110)	575,484	(213,983)
- remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	3,023	(23,634)	3,023	(23,634)
Other comprehensive income (expense) for the period	107,869	(257,744)	578,507	(237,617)
Total comprehensive income for the period	560,845	120,307	3,374,209	1,200,765
Total comprehensive income for the period attributable to:				
Owners of the Company	565,813	128,896	3,393,984	1,226,175
Non-controlling interests	(4,968)	(8,589)	(19,775)	(25,410)
	560,845	120,307	3,374,209	1,200,765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2017	2016
		HK\$'000	HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		2,426,005	2,157,965
Investment property		60,340	57,718
Goodwill		408,696	428,052
Intangible assets		542,101	571,528
Prepaid lease payments		115,046	20,461
Other investment		18,502	-
Pledged bank deposits		2,153	-
Deposits paid for acquisition of property, plant and equipment		33,263	32,198
Rental deposits paid		36,120	44,506
Deferred tax assets		361,673	307,015
Other non-current assets		24,761	101,633
		4,028,660	3,721,076
Current assets			
Inventories		5,368,889	4,254,541
Trade and other receivables	12	6,058,686	4,421,318
Prepaid lease payments		3,849	780
Derivative financial instruments		13,289	1,113
Income tax recoverable		66,553	29,830
Pledged bank deposits		3,351	-
Bank deposits with original maturity of more than three months		691,018	1,071,408
Bank balances and cash		2,365,911	2,138,886
		14,571,546	11,917,876
Current liabilities			
Trade and other payables	13	4,020,855	3,265,973
Derivative financial instruments		234	24,664
Provisions		295,825	272,513
Income tax payable		349,999	332,734
Convertible bonds	14	-	2,224,895
Bank borrowings		117,219	116,334
		4,784,132	6,237,113
Net current assets		9,787,414	5,680,763
		13,816,074	9,401,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- continued

		At 31 December	
		2017	2016
		HK\$'000	HK\$'000
	<i>Notes</i>		
Capital and reserves			
Share capital		40,908	40,824
Dividend reserve		528,175	449,068
Other reserves		10,808,542	8,532,315
Equity attributable to owners of the Company		11,377,625	9,022,207
Non-controlling interests		(149)	4,056
Total equity		11,377,476	9,026,263
Non-current liabilities			
Convertible bonds	14	2,121,830	-
Retirement benefit obligations		183,277	161,249
Provisions		50,242	46,349
Bank borrowings		-	77,556
Deferred tax liabilities		39,996	55,725
Other liabilities and accruals		43,253	34,697
		2,438,598	375,576
		13,816,074	9,401,839

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ended 31 December 2017.

2. SEGMENT INFORMATION

The Group has three (2016: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology (“SMT”) solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company’s Chief Executive Officer, the chief operating decision maker (“CODM”), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2016: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

2. SEGMENT INFORMATION – continued

Segment revenues and results

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2017	2016	2017	2016
	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
Segment revenue from external customers				
Back-end equipment	1,957,666	1,731,164	8,629,922	7,219,722
SMT solutions	1,761,112	1,319,548	6,749,007	5,157,306
Materials	508,451	470,177	2,143,784	1,872,065
	4,227,229	3,520,889	17,522,713	14,249,093
Segment profit				
Back-end equipment	422,789	337,447	2,168,988	1,487,204
SMT solutions	180,204	153,076	1,084,235	578,454
Materials				
- Profit before accounting for impairment loss recognized in respect of goodwill	30,153	42,059	150,988	170,410
- Impairment loss recognized in respect of goodwill	(22,596)	-	(22,596)	-
Materials segment profit	7,557	42,059	128,392	170,410
	610,550	532,582	3,381,615	2,236,068
Interest income	7,791	9,744	31,041	26,410
Adjustment of liability component of convertible bonds	-	-	202,104	-
Finance costs	(36,913)	(44,090)	(162,489)	(188,532)
Unallocated other expenses	(2,095)	(1,562)	(3,023)	(1,171)
Unallocated net foreign exchange gain (losses)	2,859	(657)	(13,554)	(55,873)
Unallocated general and administrative expenses	(53,469)	(31,750)	(161,414)	(126,054)
Restructuring costs	-	(17,494)	-	(97,899)
Profit before taxation	528,723	446,773	3,274,280	1,792,949

2. SEGMENT INFORMATION – continued

Segment revenues and results – continued

	Three months ended 31 Dec		Year ended 31 Dec	
	2017 (unaudited)	2016 (unaudited)	2017 (audited)	2016 (audited)
Segment profit %				
Back-end equipment	21.6%	19.5%	25.1%	20.6%
SMT solutions	10.2%	11.6%	16.1%	11.2%
Materials				
- Before accounting for impairment loss recognized in respect of goodwill	5.9%	8.9%	7.0%	9.1%
- After accounting for impairment loss recognized in respect of goodwill	1.5%	8.9%	6.0%	9.1%

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before taxation earned by each segment without allocation of interest income, adjustment of liability component of convertible bonds, finance costs, unallocated other expenses, unallocated net foreign exchange gain (losses), unallocated general and administrative expenses and restructuring costs.

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

2. SEGMENT INFORMATION – continued

Other segment information (included in the segment profit or loss or regularly provided to the CODM)

Year ended 31 December 2017

	Back-end equipment HK\$'000	SMT solutions HK\$'000	Materials HK\$'000	Unallocated general and administrative expenses HK\$'000	Consolidated HK\$'000
Amounts regularly provided to CODM:					
Additions of property, plant and equipment	379,515	140,571	102,644	-	622,730
Additions of intangible assets	-	16,146	-	-	16,146
Amounts included in the measure of segment profit:					
Amortization for intangible assets	1,278	51,001	-	-	52,279
Depreciation of property, plant and equipment	230,804	106,643	82,630	-	420,077
Depreciation of investment property	1,425	-	-	-	1,425
Impairment loss recognized in respect of goodwill	-	-	22,596	-	22,596
Gains on disposal/write-off of property, plant and equipment	(6,588)	(67)	(111)	-	(6,766)
Release of prepaid lease payments	869	270	249	-	1,388
Release of land license fee	2,497	-	-	-	2,497
Research and development expenses	832,497	593,807	9,887	-	1,436,191
Share-based payments	207,743	24,811	20,303	50,366	303,223

2. SEGMENT INFORMATION – continued

Other segment information (included in the segment profit or loss or regularly provided to the CODM) – continued

Year ended 31 December 2016

	Back-end equipment HK\$'000	SMT solutions HK\$'000	Materials HK\$'000	Unallocated general and administrative expenses HK\$'000	Consolidated HK\$'000
Amounts regularly provided to CODM:					
Additions of property, plant and equipment	232,678	105,392	78,621	-	416,691
Additions of intangible assets	-	8,681	-	-	8,681
Amounts included in the measure of segment profit:					
Amortization for intangible assets	1,278	40,633	-	-	41,911
Depreciation of property, plant and equipment	225,446	89,797	78,443	-	393,686
Depreciation of investment property	1,332	-	-	-	1,332
(Gain) loss on disposal/write-off of property, plant and equipment	(5,844)	(437)	197	-	(6,084)
Release of prepaid lease payments	546	107	127	-	780
Release of land license fee	2,725	-	-	-	2,725
Research and development expenses	721,231	512,959	8,585	-	1,242,775
Share-based payments	108,942	12,541	10,014	22,167	153,664

2. SEGMENT INFORMATION – continued

Geographical information

The information of the Group's non-current assets by geographical location of assets are detailed below:

	Non-current assets	
	At 31 December	
	2017	2016
	HK\$'000	HK\$'000
Mainland China	1,316,008	1,301,938
Singapore	1,047,599	1,061,932
Europe	398,595	356,268
- Germany	188,039	145,245
- United Kingdom	184,003	189,700
- Others	26,553	21,323
Malaysia	276,991	182,675
Hong Kong	175,861	67,728
Americas	8,242	7,830
- United States of America	5,208	3,963
- Others	3,034	3,867
Korea	6,314	4,402
Others	8,026	3,236
	3,237,636	2,986,009

Note: Non-current assets excluded unallocated goodwill, pledged bank deposits, other investment and deferred tax assets.

2. SEGMENT INFORMATION – continued

Geographical information – continued

The Group's revenue from external customers by location of customers are detailed below:

	Revenue from external customers	
	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Mainland China	7,468,942	6,498,189
Europe	2,664,991	2,234,506
- Germany	906,062	724,874
- Hungary	281,915	193,572
- Romania	192,925	154,299
- France	178,978	160,003
- Poland	136,396	84,126
- Others	968,715	917,632
Malaysia	1,246,681	913,938
Hong Kong	1,159,685	1,277,663
Americas	1,041,569	1,091,263
- United States of America	630,980	684,305
- Mexico	212,108	227,794
- Others	198,481	179,164
Taiwan	1,005,291	600,521
Thailand	709,755	464,201
Korea	691,421	306,371
Philippines	498,675	315,241
Japan	441,943	239,868
Vietnam	232,453	89,666
Singapore	194,320	121,288
Others	166,987	96,378
	17,522,713	14,249,093

No individual customer contributes to more than 10% of the total revenue of the Group for the year.

3. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS

	Three months ended			
	31 December	30 September	30 June	31 March
	2017	2017	2017	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers				
Back-end equipment	1,957,666	2,252,658	2,420,261	1,999,337
SMT solutions	1,761,112	2,277,650	1,445,722	1,264,523
Materials	508,451	579,775	558,181	497,377
	4,227,229	5,110,083	4,424,164	3,761,237
Segment profit				
Back-end equipment	422,789	595,762	656,521	493,916
SMT solutions	180,204	504,555	229,048	170,428
Materials				
- Profit before accounting for impairment loss recognized in respect of goodwill	30,153	46,248	34,586	40,001
- Impairment loss recognized in respect of goodwill	(22,596)	-	-	-
Materials segment profit	7,557	46,248	34,586	40,001
	610,550	1,146,565	920,155	704,345
Interest income	7,791	7,329	7,340	8,581
Adjustment of liability component of convertible bonds	-	-	-	202,104
Finance costs	(36,913)	(41,875)	(43,769)	(39,932)
Unallocated other (expenses) income	(2,095)	(1,279)	351	-
Unallocated net foreign exchange gain (loss)	2,859	(7,945)	5,939	(14,407)
Unallocated general and administrative expenses	(53,469)	(40,540)	(42,562)	(24,843)
Profit before taxation	528,723	1,062,255	847,454	835,848
Segment profit %				
Back-end equipment	21.6%	26.4%	27.1%	24.7%
SMT solutions	10.2%	22.2%	15.8%	13.5%
Materials	1.5%	8.0%	6.2%	8.0%

3. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS – continued

	Three months ended			
	31 December	30 September	30 June	31 March
	2016	2016	2016	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue from external customers				
Back-end equipment	1,731,164	2,228,406	1,979,729	1,280,423
SMT solutions	1,319,548	1,474,233	1,209,915	1,153,610
Materials	470,177	494,283	479,564	428,041
	<u>3,520,889</u>	<u>4,196,922</u>	<u>3,669,208</u>	<u>2,862,074</u>
Segment profit				
Back-end equipment	337,447	546,201	446,096	157,460
SMT solutions	153,076	226,267	145,355	53,756
Materials	42,059	38,272	50,025	40,054
	<u>532,582</u>	<u>810,740</u>	<u>641,476</u>	<u>251,270</u>
Interest income	9,744	6,499	6,309	3,858
Finance costs	(44,090)	(52,779)	(42,174)	(49,489)
Unallocated other (expenses) income	(1,562)	265	126	-
Unallocated net foreign exchange losses	(657)	(20,491)	(27,000)	(7,725)
Unallocated general and administrative expenses	(31,750)	(34,825)	(34,382)	(25,097)
Restructuring costs	(17,494)	(148)	(78,863)	(1,394)
	<u>446,773</u>	<u>709,261</u>	<u>465,492</u>	<u>171,423</u>
Segment profit %				
Back-end equipment	19.5%	24.5%	22.5%	12.3%
SMT solutions	11.6%	15.3%	12.0%	4.7%
Materials	8.9%	7.7%	10.4%	9.4%

4. DEPRECIATION AND AMORTIZATION

During the year, depreciation and amortization amounting to HK\$420.1 million (2016: HK\$393.7 million), HK\$1.4 million (2016: HK\$1.3 million) and HK\$52.3 million (2016: HK\$41.9 million) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

5. ADJUSTMENT OF LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK\$2,400,000,000. The Company would, at the option ("Put Option") of the bond holder, redeem all or some of the convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid. The Put Option lapsed on 28 March 2017. The estimated date of payment in relation to the convertible bonds is revised from 28 March 2017 to 28 March 2019. Accordingly, the carrying amount of the liability component of the convertible bonds is adjusted from HK\$2,250,000,000 to HK\$2,047,896,000 on 28 March 2017 to reflect the revised estimated cash outflows that is recalculated by computing the present value of estimated future cash flows at its original effective interest rate of 6.786% per annum. The adjustment of the carrying value of the liability component of the convertible bonds amounting to HK\$202,104,000 is recognized in profit or loss for the year.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
The gains and losses comprise:		
Net foreign exchange losses	(100,066)	(38,977)
Gain (loss) on fair value change of foreign currency forward contracts	82,717	(16,896)
Gains on disposal/write-off of property, plant and equipment	6,766	6,084
Impairment loss recognized in respect of goodwill	(22,596)	-
Others	(181)	(1,559)
	<u>(33,360)</u>	<u>(51,348)</u>

7. RESTRUCTURING COSTS

During the year ended 31 December 2016, included in restructuring costs were mainly plant relocation costs for moving manufacturing facilities located in Yantian, Shenzhen, China to Longgang, Shenzhen, China. Due to the local authorities' redevelopment plans, part of the operation of a subsidiary of the Company, Shenzhen ASM Micro Electronic Technology Co., Ltd., was required to move out of its premises located in Yantian. The relocation was completed during the year ended 31 December 2017. In connection with this plant relocation, the Group recorded HK\$92,851,000 restructuring costs for the year ended 31 December 2016, which primarily related to severance payments of HK\$63,139,000 and incentive payments and other compensation of HK\$22,323,000 to employees for relocation to new premises of the Group.

8. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Interest on convertible bonds (note 14)	144,039	150,364
Interest on bank borrowings	4,508	4,020
Interest on discounted bills without recourse	13,590	31,551
Others	352	2,597
	<u>162,489</u>	<u>188,532</u>

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	53,128	50,783
PRC Enterprise Income Tax	122,184	87,531
Other jurisdictions	364,321	256,043
	<u>539,633</u>	<u>394,357</u>
Under(over) provision in prior years:		
Hong Kong	459	(208)
PRC Enterprise Income Tax	2,194	(7,355)
Other jurisdictions	(9,777)	(12,962)
	<u>(7,124)</u>	<u>(20,525)</u>
Deferred tax credit	<u>(53,931)</u>	<u>(19,265)</u>
	<u>478,578</u>	<u>354,567</u>

- (a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- (b) Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% (2016: 25%), except for ASM Technology China Limited ("ATC"). On 28 October 2015, ATC was recognized as an advanced technology service enterprise ("ATSE") by the Chengdu Science and Technology Bureau for a period of 3 years, i.e. from 2015 to 2017. According to the tax circular Caishui [2014] No. 59, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15% from 2015 to 2017, subject to fulfillment of recognition criteria for ATSE during the relevant period.

9. INCOME TAX EXPENSE – continued

- (c) On 12 July 2010, the Singapore Economic Development Board (“EDB”) granted a Pioneer Certificate to ASM Technology Singapore Pte Ltd. (“ATS”), a principal subsidiary of the Company, to the effect that profits arising from certain new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods.

On the same date, EDB also granted ATS an International Headquarters Award 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 abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (2016: 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% (2016: 15.00%) plus 5.50% (2016: 5.50%) solidarity surcharge thereon for the assessable profit for the year. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group’s subsidiaries in Germany vary from 14.800% to 17.015% (2016: 12.495% to 17.015%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 30.625% and 32.840% (2016: 28.320% and 32.840%).
- (e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group continued to receive letters from the Hong Kong Inland Revenue Department (“HKIRD”) during the year ended 31 December 2017 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to significant additional tax being charged on profits from some overseas subsidiaries in respect of source of income as concerned that have not previously been included in the scope of charge for Hong Kong Profits Tax or significant tax adjustments to companies currently subject to Hong Kong Profits Tax. As at 31 December 2017, the Group purchased tax reserve certificates amounting to HK\$371,113,000 (2016: HK\$370,049,000), as disclosed in note 12.

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that sufficient provision for taxation has been made in the consolidated financial statements.

10. DIVIDENDS

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
<u>Dividend recognized as distribution during the year</u>		
Interim dividend for 2017 paid of HK\$1.20 (2016: HK\$0.80) per share on 408,243,733 (2016: 406,104,633) shares	489,892	324,884
Final dividend for 2016 paid of HK\$1.10 (2016: final dividend for 2015 paid of HK\$0.40) per share on 408,243,733 (2016: 404,529,500) shares	449,068	161,812
	<u>938,960</u>	<u>486,696</u>

Subsequent to the end of the reporting period, a final dividend of HK\$1.30 (2016: final dividend of HK\$1.10) per share in respect of the year ended 31 December 2017 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
<u>Dividend proposed subsequent to the end of the reporting period</u>		
Proposed final dividend for 2017 of HK\$1.30 (2016: HK\$1.10) per share on 406,288,133 (2016: 408,243,733) shares	528,175	449,068

11. EARNINGS PER SHARE

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2017 (unaudited) HK\$'000	2016 (unaudited) HK\$'000	2017 (audited) HK\$'000	2016 (audited) HK\$'000
Earnings for the purpose of calculating basic earnings per share (Profit for the period attributable to owners of the Company)	457,941	386,641	2,815,473	1,463,864
Less: Adjustment of liability component of convertible bonds (Note)	-	-	(202,104)	-
Add: Interest expenses on convertible bonds (Note)	-	-	144,039	-
Earnings for the purpose of calculating diluted earnings per share	<u>457,941</u>	<u>386,641</u>	<u>2,757,408</u>	<u>1,463,864</u>
	Number of shares (in thousands)		Number of shares (in thousands)	
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	407,838	406,238	407,964	405,357
Effect of dilutive potential shares:				
- Employee Share Incentive Scheme	2,482	2,034	2,227	1,837
- Convertible bonds (Note)	-	-	23,712	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>410,320</u>	<u>408,272</u>	<u>433,903</u>	<u>407,194</u>

Note: In the calculation of the diluted earnings per share for the year ended 31 December 2017, the Company's outstanding convertible bonds are assumed to have been fully converted into ordinary shares and the profit for the year attributable to owners of the Company is adjusted to exclude the items comprising the adjustment of liability component of convertible bonds and the interest expense relating to the convertible bonds.

The computation of diluted earnings per share for the three months ended 31 December 2017 and 2016 and for the year ended 31 December 2016 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.

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	HK\$'000	HK\$'000
Trade receivables (Note a)	5,212,686	3,540,968
Amount recoverable from Siemens AG (Note b)	-	21,788
Value added tax recoverable	292,344	313,510
Tax reserve certificate recoverable	371,113	370,049
Other receivables, deposits and prepayments	182,543	175,003
	6,058,686	4,421,318

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

	At 31 December	
	2017	2016
	HK\$'000	HK\$'000
Not yet due	3,863,809	2,749,780
Overdue within 30 days	449,604	348,160
Overdue within 31 to 60 days	389,295	153,323
Overdue within 61 to 90 days	113,655	125,749
Overdue over 90 days	396,323	163,956
	5,212,686	3,540,968

Notes:

- (a) The amount included notes receivables amounting to HK\$777,905,000 (2016: HK\$410,358,000).
- (b) Pursuant to the Master Sale and Purchase Agreement of the acquisition entered into between Siemens Aktiengesellschaft (“Siemens AG”) and the Company, Siemens AG undertook to pay to the Group such amount as was necessary to indemnify 13 former direct and indirect subsidiaries of Siemens AG (“ASM AS Entities”) from and against any and all taxes imposed to ASM AS Entities relating to any taxable periods beginning before and ending before or after 7 January 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represented the aggregate amount of the tax liabilities of ASM AS Entities covered under the tax indemnity and was therefore recoverable from Siemens AG. It was due for settlement once the Group paid the related taxes and received the tax demand notes from tax authorities. The amount was settled during the year ended 31 December 2017.

Credit policy:

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 more.

12. TRADE AND OTHER RECEIVABLES – continued

Included in the Group's trade receivables are amounts totaling HK\$1,348,877,000 (2016: HK\$791,188,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, those trade receivables that are past due but not impaired are generally recoverable. The trade and other receivables that are neither past due nor impaired are of good credit quality because of satisfactory repayment history.

13. TRADE AND OTHER PAYABLES

	At 31 December	
	2017	2016
	HK\$'000	HK\$'000
Trade payables	1,579,912	1,686,043
Deferred revenue	121,450	131,344
Accrued salaries and wages	298,040	235,958
Other accrued charges	804,375	478,846
Deposits received from customers	642,595	282,380
Accrual for tax-related expense (Note)	168,400	168,400
Payables arising from acquisition of property, plant and equipment	150,395	111,092
Payable in relation to repurchase of shares	25,911	-
Other payables	229,777	171,910
	4,020,855	3,265,973

Note: As detailed in note 9, the Group continued to receive letters from the HKIRD during the year ended 31 December 2017 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax-related expenses and accrual has been provided accordingly.

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

	At 31 December	
	2017	2016
	HK\$'000	HK\$'000
Not yet due	1,168,803	1,192,941
Overdue within 30 days	201,374	274,202
Overdue within 31 to 60 days	88,887	123,046
Overdue within 61 to 90 days	56,314	57,856
Overdue over 90 days	64,534	37,998
	1,579,912	1,686,043

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.

14. CONVERTIBLE BONDS

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK\$2,400,000,000. Interest of 2.00% per annum will be paid semi-annually in September and March, respectively.

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the “Maturity Date”) (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK\$98.21 per share. The conversion price was adjusted to HK\$96.54 per share with effect from 20 May 2015 as a result of the aggregate distributions of HK\$2.10 per share made by the Company to the shareholders for the year ended 31 December 2014. The conversion price was further adjusted to HK\$95.23 per share with effect from 18 May 2016 as a result of aggregate distributions of HK\$1.40 per share made by the Company to the shareholders for the year ended 31 December 2015. In addition, the conversion price was further adjusted to HK\$94.33 per share with effect from 17 August 2017 as a result of aggregate distributions of HK\$1.90 per share made by the Company to the shareholders for the year ended 31 December 2016 and an interim dividend of HK\$1.20 per share made by the Company to the shareholders for the year ended 31 December 2017. Details of the adjustments to conversion price of the convertible bonds were set out in the Company’s announcements dated 13 May 2015, 11 May 2016 and 17 August 2017.

The Company will redeem the convertible bonds on the Maturity Date at their principal amount outstanding together with accrued and unpaid interest thereon.

The Company may, having given not less than 30 nor more than 60 days' notice (the “Redemption Notice”), redeem in whole, but not in part, of the convertible bonds at the principal amount together with interest accrued on such redemption date, provided that:

- (i) at any time after 28 March 2017 and prior to the Maturity Date, the closing price of an ordinary share of the Company, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the Redemption Notice is given, was at least 130% of the conversion price, or
- (ii) at any time, prior to the date the Redemption Notice is given, at least 90% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled.

The Company would, at the option of the bond holder, redeem all or some of that convertible bonds on 28 March 2017 (the “Put Option Date”) at their principal amount together with interest accrued to such date but unpaid. To exercise such Put Option, the bond holder should serve notice of redemption to the Company not earlier than 60 days and not later than 30 days prior to the Put Option Date. As the Company did not have an unconditional right to defer settlement of the convertible bonds in more than twelve months from the end of December 2016, the entire balance of liability component of the convertible bonds was classified as current liabilities as at 31 December 2016. The Company did not receive any notice of redemption up to end of February 2017 and the Put Option has lapsed accordingly. Therefore, the convertible bonds due 2019 were reclassified to non-current liabilities as at 31 December 2017. Upon lapse of the Put Option, the carrying value of the liability component of the convertible bonds is adjusted to reflect the revised estimated cash flows (details set out in note 5).

14. CONVERTIBLE BONDS – continued

The bond holder may request immediate redemption of the convertible bonds at their principal amount then outstanding together with accrued interest upon occurrence of certain events. Details of the issue of convertible bonds were set out in the Company's announcement dated 4 March 2014.

On 20 May 2016, convertible bonds with principal amount of HK\$150,000,000 were converted into the Company's shares at the prevailing adjusted conversion price of HK\$95.23 per share. As a result, a total number of 1,575,133 shares of the Company were issued and credited as fully paid and the relevant portion of convertible bonds equity reserve of HK\$16,683,000 was transferred to share premium during the year ended 31 December 2016.

None of the convertible bonds was redeemed or converted during the year ended 31 December 2017.

The movements of the liability component and equity component of the convertible bonds for the year are set out below:

	Liability component	Equity component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	2,277,465	266,932	2,544,397
Conversion of convertible bonds	(144,537)	(16,683)	(161,220)
Interest charge during the year (note 8)	150,364	-	150,364
Interest paid	(46,500)	-	(46,500)
At 31 December 2016 and 1 January 2017	2,236,792	250,249	2,487,041
Adjustment of liability component of convertible bonds (note 5)	(202,104)	-	(202,104)
Interest charge during the year (note 8)	144,039	-	144,039
Interest paid	(45,000)	-	(45,000)
At 31 December 2017	2,133,727	250,249	2,383,976

Liability component of the convertible bonds is analyzed for reporting purposes as:

	At 31 December	
	2017	2016
	HK\$'000	HK\$'000
Current liabilities		
Interest payable on convertible bonds (included in trade and other payables)	11,897	11,897
Convertible bonds	-	2,224,895
Non-current liabilities		
Convertible bonds	2,121,830	-
	2,133,727	2,236,792

REVIEW

2017 has been a record year for ASMPT. The Group and all three business segments achieved new record revenue. Group net profit was at a level very close to its historical peak. The SMT Solutions Segment achieved record segment profit. At the same time, the Group received recognitions and awards such as: Technological Achievement Grand Award of the Hong Kong Awards for Industries (HKIA) 2017; Directors of the Year Awards 2017; Hong Kong Outstanding Enterprise 2017; 2017 All Stars of the Semiconductor Industry by VLSI Research; ranked 1st in Assembly Equipment Supplier and among the 10 Best Chip Making Equipment Suppliers from the VLSI Research Customers Satisfaction Survey 2017. In the 2018 inaugural Thomson-Reuters report, ASMPT was named as one of the Top 100 Global Technology Leaders.

During 2017, Group revenue grew 23.0% year-on-year to US\$2.25 billion. The strong performance of the Group was driven mainly by the robust demand for IC/Discrete and CMOS Imaging Sensor (CIS) equipment, leadframes and SMT Solutions. Likewise, Group booking sets a new record with US\$2.34 billion, representing a growth of 24.7% year-on-year. The book-to-bill ratio was 1.04. Group backlog as of end of 2017 rose to US\$538.6 million, representing a growth of 27.2% year-on-year.

By geographical distribution, the top five markets for ASMPT in 2017 were China (49.2%), Europe (15.2%), Malaysia (7.1%), Americas (5.9%) and Taiwan (5.7%). Even though China remained as the largest market for the Group last year, our other major markets grew much faster than the China market, except Americas, reflecting a generally strong global market momentum and our success in gaining market shares on a broad basis.

By application market, Mobility, Communications and IT, and Automotive and Optoelectronics are the three largest market segments served by the Group. Its combined contributions to the Group's revenue have grown from around 50.0% in 2016 to around 51.9% in 2017. Following that, Power Management and Energy, Industrial and Consumers are the next key market segments for the Group.

In 2017, net profit for the Group amounted to HK\$2.80 billion, representing a surge of 94.4% over the preceding year. Gross margin of the Group grew 2.6% (264bps) to 40.2%, the highest achieved since 2010. Gross margin of the Back-end Equipment Segment improved to a six-year high.

The Group ended the year with a strong momentum as all three business segments delivered positive year-on-year revenue growth. Group revenue for Q4 last year amounted to US\$541.5 million, representing a growth of 20.1% against the same period of 2016. Group revenue in Q4 2017 contracted 17.3% quarter-on-quarter due to seasonality. Q4 Group booking grew 5.5% year-on-year to US\$496.5 million, beyond the Group's expectation. On the other hand, due to seasonality, Group booking for Q4 2017 experienced a drop of 13.6% quarter-on-quarter. Judging by the prevailing market sentiment and momentum, the Group is confident that Group booking in Q1 2018 will display a strong rebound over Q4 2017.

Group revenue for the second half last year amounted to US\$1.20 billion, setting a new half-yearly record. It represented growths of 21.0% and 14.1% against the second half of 2016 and the preceding six months. Group booking for the second half of 2017 amounted to US\$1.07 billion, representing a year-on-year growth of 18.1%.

Group	FY 2017	2H 2017		Q4 2017	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+24.7%	-15.6%	+18.1%	-13.6%	+5.5%
Revenue	+23.0%	+14.1%	+21.0%	-17.3%	+20.1%
Gross Margin	+264bps	-50bps	+143bps	-139bps	+167bps
Net Profits	+94.4%	-11.1%	+37.6%	-47.5%	+19.8%

REVIEW – continued

ASMPT continued to build its business on a diversified customer base. In 2017, no customer accounted for more than 10% of the Group's revenue. Top 5 customers combined contributed 17.5% of the Group's revenue. 80% of the Group's revenue came from 144 customers. Out of the top 20 customers, 3 were from the SMT Solutions Segment while 3 were key customers from both the Back-end business and the SMT Solutions Segment. The top 20 customers of the Group consisted of customers from different market segments such as the world's leading IDMs, tier-1 OSATs, major OSATs in China, major camera module makers, key LED players, top EMS and automotive components suppliers.

Back-end Equipment Segment

Our Back-end Equipment Segment did very well in 2017 with an achievement of new record in revenue and a six-year high gross margin.

Our Back-end Equipment Segment continued to retain its number one position in the global market. This is the accolade that we have been holding for the past sixteen years since 2002, with 2012 being the only exception. Revenue of the Back-end Equipment Segment grew 19.5% last year to US\$1.11 billion, contributing to 49.3% of the Group's total revenue.

Last year, the IC/Discrete market led the growth of our Back-end Equipment Segment. It was the largest market for the Group in terms of revenue and delivered the highest year-on-year growth rate. It reflected a healthy market driven by smart phones, automotive, IoT (Internet of Things), and power management applications. The next leading key pillars are the CIS and the LED markets. They achieved similar levels of revenue. The CIS market delivered a strong growth rate. Following heavy investment made by customers in the previous year, 2017 was a year of digestion for the LED market. As compared with 2016, the contraction of the LED market in 2017 was mainly due to the higher base of comparison and the fact that customers needed time to digest their new capacity installed in 2016.

ASMPT continued to enjoy a dominant position in the Power Management market driven by strong demands generated by electric cars, wireless charging and other mobile related battery management. Our efforts in developing the Advanced Packaging business are well on track. Shipment of the Thermal Compression Bonder (TCB) picked up strongly since the second half of 2017 and would continue into 2018. Billing for Flip Chip Bonder reached an all-time high with an impressive year-on-year growth rate of more than 140%. New order booking for our Laser Singulation Equipment attained a new record, setting a strong momentum for this year. Our Nucleus pick and place machine for Panel-Level Fan-Out (PLFO) and Wafer-Level Fan-Out (WLFO) packages have penetrated multiple customer accounts. We anticipate that the strong order intake for Sunbird, the test and pack equipment, would drive revenue of our Post Encapsulation business to a new high in 2018. In addition, the System in Package (SiP) market with equipment served by the SMT Solutions Segment also achieved a very strong growth in 2017. We are confident that both the Advanced Packaging and the Power Management markets will grow to become additional pillars of our Back-end Equipment business going forward.

The Group continued to enjoy a strong position in the CIS market, for both the assembly equipment and the active alignment (AA) machines. Dual camera and 3D Sensing will continue to be the growth drivers of our CIS business. The Group has become the partner of choice for our customers in CIS and customers who are developing new applications for 3D Sensing, Augmented Reality (AR) and Virtual Reality (VR).

We expect our LED business to make a rebound this year. LED general lighting and display panels will continue to drive the growth of our LED business. The Group has been working with leading customers in the development of solutions for both mini-LED and micro-LED displays.

REVIEW – continued

Last year, the Group gained market share in the IC/Discrete ball bonder market, achieved a year-on-year growth rate of around 70% in revenue.

During the second half last year, Back-end Equipment revenue amounted to US\$539.0 million, represented a growth of 6.3% against the second half of 2016 and a contraction of 4.7% compared with the preceding six months. Back-end Equipment revenue for Q4 last year grew 13.1% year-on-year and contracted 13.1% quarter-on-quarter to US\$250.8 million, respectively.

New order bookings for Back-end Equipment last year grew by 20.0% as compared with 2016. New order bookings for the second half last year contracted 27.4% as compared with the first half of last year but grew 6.5% against the same period in 2016. New order bookings for Q4 last year contracted 5.6% and 10.4% as compared with the same period in 2016 and the preceding quarter, respectively.

Profitability of our Back-end Equipment Segment continued to improve last year. Gross margin of this segment improved to 47.9% last year, a six-year high since 2011. Profit of the Back-end Equipment Segment surged 45.8% when compared with the previous year while segment profit margin improved by 4.5% (453bps) to 25.1%. The improvement in this segment was primarily due to the positive contribution from the strategic transformations that the Group carried out in the past few years.

In 2017, business generated from traditional die and wire bonders for the assembly of semiconductor and LED devices contributed less than 45% of our Back-end Equipment business. The rest was made up of business mainly from packaging related equipment, test handlers, flip chip bonders, TCB bonders, clip bonders for Power Management applications, CIS assembly and active alignment equipment, laser grooving and dicing systems and other advanced packaging equipment. We believe that we have put in place the right products and technology portfolio to take advantage of the continuous technology transition and to capture new growth opportunities.

Back-end Equipment Segment	FY 2017	2H 2017		Q4 2017	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+20.0%	-27.4%	+6.5%	-10.4%	-5.6%
Revenue	+19.5%	-4.7%	+6.3%	-13.1%	+13.1%
Gross Margin	+456bps	+118bps	+439bps	+65bps	+616bps
Segment Profit	+45.8%	-11.5%	+15.3%	-29.0%	+25.3%
Segment Profit Margin	+453bps	-184bps	+187bps	-485bps	+210bps

Materials Business Segment

ASMPT's Materials Business Segment attained many new records in 2017, in particular, in revenue year-on-year and the second half of 2017. Last year, revenue of the Materials Business Segment amounted to US\$275.2 million, representing a growth of 14.5% from the year before. The Materials Business Segment contributed 12.2% of the Group's total revenue in 2017.

During the second half last year, revenue of the Materials Business Segment amounted to US\$139.3 million, representing growths of 12.8% and 3.1% against the second half of 2016 and the preceding six months, respectively. Revenue of the Materials Business Segment for the fourth quarter of last year contracted 12.3% from the preceding quarter but grew 8.1% year-on-year to US\$65.1 million.

REVIEW – continued

New order bookings of the Materials Business Segment in 2017 set a new record, representing a growth of 13.5% as compared with 2016. New order bookings for the second half last year contracted slightly by 2.9% and 17.9% as compared with the same period in 2016 and the first half of last year, respectively. New order bookings of the Materials Business Segment in Q4 last year contracted 11.0% and 3.1% as compared with the same period in 2016 and the preceding quarter, respectively.

Materials Business Segment	FY 2017	2H 2017		Q4 2017	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+13.5%	-17.9%	-2.9%	-3.1%	-11.0%
Revenue	+14.5%	+3.1%	+12.8%	-12.3%	+8.1%
Gross Margin	-179bps	-3bps	-74bps	-238bps	-202bps
Segment Profit	-24.7%	-27.9%	-33.0%	-83.7%	-82.0%
Segment Profit Margin	-311bps	-212bps	-338bps	-649bps	-746bps

SMT Solutions Segment

Last year, SMT Solutions Segment set new records in billings, bookings and segment profit. Revenue grew 30.9% to US\$865.9 million, and contributed 38.5% of the Group's revenue.

Revenue of the SMT Solutions Segment set a new record during the second half of last year. Amounted to US\$517.1 million, it represented growths of 44.6% and 49.0% compared with the same period in 2016 and the preceding six months, respectively. During Q4 last year, revenue of the SMT Solutions Segment amounted to US\$225.6 million, representing a growth of 33.5% against the same period in 2016 and a contraction of 22.7% as compared with the preceding quarter.

Bookings of the SMT Solutions Segment in 2017 grew 35.4%. Bookings for the second half of last year attained a new record. It increased 43.0% and 1.9% over the same period in 2016 and the preceding six months, respectively. During Q4 last year, bookings of the SMT Solutions Segment grew 29.5% year-on-year but contracted 19.4% quarter-on-quarter, respectively.

Strong demand from the Automotive and Industrial Electronics markets drove the revenue of our SMT Solutions Segment to a high level. This Segment has further benefited from the latest smartphone upgrade cycle last year due to its superior technology and innovation. Over the past few years, we made very good progress in the Advanced Packaging market with product offerings from the SMT Solutions Segment. We offer high performance screen printers and placement equipment to the SiP, WLFO and PLFO application markets. We expect that the demand from Advanced Packaging, smartphones, Automotive and Industrial Electronics markets will continue to drive our SMT business going forward.

Last year, the gross margin of the SMT Solutions Segment improved 1.3% (129 bps) year-on-year to 38.9%. The SMT Solutions Segment achieved segment result margin of 16.1% last year, an improvement of 4.8% (485bps) over 2016.

In 2016, the Group set up additional SMT manufacturing facilities in its Malaysia factory. They contributed strongly to the growth of the SMT Solutions Segment in 2017.

REVIEW – continued

SMT Solutions Segment	FY 2017	2H 2017		Q4 2017	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+35.4%	+1.9%	+43.0%	-19.4%	+29.5%
Revenue	+30.9%	+49.0%	+44.6%	-22.7%	+33.5%
Gross Margin	+129bps	-158bps	-81bps	-342bps	-281bps
Segment Profit	+87.4%	+71.4%	+80.5%	-64.3%	+17.7%
Segment Profit Margin	+485bps	+222bps	+338bps	-1192bps	-137bps

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 31 December 2017 decreased by 4.8% to HK\$3.06 billion (2016: HK\$3.21 billion). During 2017, HK\$939.0 million was paid as dividends (2016: HK\$486.7 million). Capital addition during the period amounted to HK\$638.9 million (2016: HK\$425.4 million), which was partially funded by the year's depreciation and amortization of HK\$477.7 million (2016: HK\$440.4 million). Day sales outstanding increased to 108.6 days (2016: 91.0 days) as a result of higher sales in 2017.

As of 31 December 2017, the current ratio was 3.05, with a debt-equity ratio of 19.8% (debts include all bank borrowings and convertible bonds). The Group had available banking facilities of HK\$1.75 billion (US\$223.6 million) in the form of bank loans and overdraft facilities. As of 31 December 2017, the Group had bank borrowings of HK\$117.2 million (US\$15.0 million), all of which was utilization of committed facilities. The Group's shareholders' funds increased to HK\$11.38 billion as at 31 December 2017.

In 2017, the Group launched a share buyback program. Up to 26 January 2018, the Group has purchased 4,193,700 shares of the Company on The Stock Exchange of Hong Kong Limited for a total consideration of HK\$452.7 million.

The Group has convertible bonds with a principal amount of HK\$2.25 billion that will become due on 28 March 2019. They represent a potential cash outlay of the Group should bond holders elect to redeem their bonds then. However, if the Company's share price remains above the conversion price (the prevailing conversion price: HK\$94.33), it is unlikely that bond holders would seek redemption of their bonds.

In terms of currency exposure, the majority of our sales were denominated in U.S. dollars, Euros and Chinese renminbi. On the other hand, disbursements in respect of operating expenses and purchases were mainly in U.S. dollars, Euros, Hong Kong and Singapore dollars, Malaysia ringgit, Chinese renminbi, British pounds and Japanese yen.

We continue to believe in returning excess cash to our shareholders. The Group has adopted a dividend policy of paying out sustainable and gradually increasing dividends. After considering our mid-to-short term needs and cash on hand, the Board recommends a final dividend of HK\$1.30 (2016: final dividend of HK\$1.10) per share. The total dividend payout for 2017 is HK\$2.50 per share (2016: HK\$1.90).

HUMAN RESOURCES

Behind every strong team stands its people. Hence at ASMPT, we strive to nurture and retain our talented employees. Besides offering competitive remuneration packages that are in line with the market, the Group also placed strong focus in providing extensive training programs and an inclusive and positive working environment. Salary review is conducted on an annual basis and in addition to salary payout, employees are provided with other forms of benefits including medical, training subsidies, provident funds scheme, and team bonding activities that promote camaraderie and strengthen the relationship among colleagues. Discretionary bonus and incentives shares are also granted to eligible employees based on the Group's financial performance and individual staff performances.

To build stable leadership for the future, the Group has put in place a succession plan that aims to develop a strong and cohesive leadership team that will lead the Group in a sustainable manner. To ensure that the leaders are future-ready, executives who have been identified as having the qualities to join the next generation management team must undergo job rotation, mentoring and training programs that will prepare them to take over the helm at the right time.

Recognizing the importance of creating opportunities to nurture and groom young engineering talent in locations where ASMPT operates, the Group has been collaborating closely with local universities and technical institutes in the region through internship programs and scholarship opportunities. The ASM Technology Award in Hong Kong was launched three years ago to recognize and reward students with outstanding Final Year Projects. Apart from sustaining the students' interest in technology innovation, the Group hopes to develop an industry-ready pipeline of talent in the market through inspiring the students to begin a career with ASMPT.

As we grow our business and expand our global footprint, we also encourage our employees to proactively give back to the communities in which we operate through voluntary work and donations. In 2017, the Group devoted about 100,000 hours on volunteer work.

As of 31 December 2017, the total worldwide headcount for the Group was approximately 16,400, which included 1,900 temporary or short-term contract employees and outsourced workers. Of the total workforce, around 1,300 were based in Hong Kong, 9,400 in Mainland China, 1,600 in Singapore, 1,300 in Germany, 1,500 in Malaysia, 500 in United Kingdom, with the remainder based in other parts of the world.

The total manpower costs for the Group in 2017 were HK\$4.60 billion, as compared with HK\$3.96 billion in 2016.

PROSPECTS

Judging from the prevailing market sentiment and momentum, we anticipate that Group booking in Q1 2018 will rebound strongly over Q4 2017. Booking of the Back-end Equipment segment is expected to take the lead.

Group billing in Q1 2018 is expected to achieve a year-on-year growth rate in the range of a high single digit to a low double digit percentage. All three business segments are likely to deliver positive year-on-year growth rate. Generally, our customers are optimistic about the business environment in the first half of this year.

PROSPECTS – continued

Many people in the industry are of the opinion that the semiconductor industry is experiencing a super cycle, driven by broad-based drivers such as IoT, smart city, smart factory, Industry 4.0, Artificial Intelligence (AI), Big Data Analytics, 5G network and automotive. The world is expected to enter the Data Centric era. The future will be about Data. Huge amount of data will be collected, transmitted, stored, processed and displayed. This will in turn drive up the demand for semiconductor devices.

We believe that the Group has made the necessary investments and transformations to its business strategies and organization. It is now well positioned to capture the growth opportunities that will be brought about by the new Data Centric era.

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

The Company was authorized at its 2017 AGM to repurchase its own ordinary shares not exceeding 4% of the total number of its issued shares as at the date of the resolution being passed.

During the year, the Company repurchased an aggregate of 3,245,800 ordinary shares for a total consideration of approximately HK\$348.6 million (excluding relevant trading costs directly attributable to the share repurchase) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the shares repurchased were subsequently cancelled. Details of the share repurchase are as follows:

Month of repurchase in 2017	Number of shares repurchased	Consideration per share		Aggregate consideration paid (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
September 2017	221,800	110.00	105.00	23,980
November 2017	24,000	115.00	113.50	2,752
December 2017	3,000,000	110.00	101.20	321,835
	<u>3,245,800</u>			<u>348,567</u>

Subsequent to the balance sheet date of 31 December 2017 and up to the date of this announcement, the Company repurchased a total of 947,900 shares on the Stock Exchange for an aggregate consideration (excluding relevant trading costs directly attributable to the share repurchase) of HK\$104.1 million. Such repurchased shares were subsequently cancelled. The number of issued shares of the Company as at the date of this announcement is 406,288,133 shares. Particulars of the shares repurchased on the Stock Exchange after the balance sheet date are as follows:

Month of repurchase in 2018	Number of shares repurchased	Consideration per share		Aggregate consideration paid (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
January 2018	<u>947,900</u>	110.00	107.90	<u>104,124</u>

The Directors of the Company believe that the above repurchases are in the best interests of the Company and its shareholders and that such repurchases would lead to an enhancement of the earnings per share of the Company.

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

During the year ended 31 December 2017 and pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, an independent professional trustee appointed by the Board under the Employee Share Incentive Scheme purchased on the Stock Exchange a total of 323,000 shares in the Company. The cost of purchase of these shares amounted to HK\$34.1 million.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2017.

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

AUDIT COMMITTEE

The audit committee comprises three Independent Non-Executive Directors and one Non-Executive Director who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017 in conjunction with the Company's external auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures as set out in the preliminary announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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, 28 February 2018