ASMPT enabling the digital world

ASMPT LIMITED
(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 0522)

Staying the Course, Prepared for the Future

ANNUAL REPORT
2022

WELCOME

Dear Reader, thank you for taking the time to peruse the 2022 Annual Report for ASMPT Limited. This annual report provides a detailed view of the company's performance and outlook for the future.

ASMPT is a leading global supplier of hardware and software solutions for the manufacture of semiconductors and electronics. Headquartered in Singapore, ASMPT's offerings encompass the semiconductor assembly & packaging, and SMT (surface mount technology) industries, ranging from wafer deposition to the various solutions that organise, assemble and package delicate electronic components into a vast range of end-user devices, which include electronics, mobile communications, computing, automotive, industrial and LED (displays). ASMPT partners with customers very closely, with continuous investment in R&D helping to provide cost-effective, industry-shaping solutions that achieve higher productivity, greater reliability, and enhanced quality.

ASMPT is listed on the Stock Exchange of Hong Kong (HKEX stock code: 0522), and is one of the constituent stocks of the Hang Seng Composite MidCap Index under the Hang Seng Composite Size Indexes, the Hang Seng Composite Information Technology Industry Index under Hang Seng Composite Industry Indexes and the Hang Seng HK 35 Index. To learn more about ASMPT, please visit us at www.asmpt.com.

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CORPORATE INFORMATION

DIRECTORS

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

Non-Executive Directors
Benjamin Loh Gek Lim
Paulus Antonius Henricus Verhagen

Executive Directors
Robin Gerard Ng Cher Tat
Guenter Walter Lauber

COMPANY SECRETARY
Kong Choon, Jupiter

AUDITOR
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Certified Public Accountants
Registered Public Interest Entity Auditors
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CHOICE OF LANGUAGE OR MEANS OF RECEIPT OF CORPORATE COMMUNICATIONS
This Annual Report is now available in printed form in English and in Chinese, and on the website of the Company. Shareholders may at any time choose to receive the Annual Report in printed form in either the English or Chinese language or both or by electronic means by reasonable notice in writing to the Company c/o the Share Registrar. Shareholders who have chosen to receive the Annual Report using electronic means but for any reason have difficulty in receiving or gaining access to the Annual Report, the Company or the Share Registrar will, upon written request, send the printed form to you in the selected language version(s) free of charge.

(In case of any inconsistency, the English version of this annual report shall prevail over the Chinese version.)

2022 FINANCIAL HIGHLIGHTS

GROUP FINANCIAL HIGHLIGHTS FOR FY 2022

Revenue of HK$19.36 billion (US$2.47 billion), −11.8% YoY

Bookings of HK$18.44 billion (US$2.36 billion), −29.4% YoY

Gross margin of 41.1%, +55 bps YoY

Operating margin of 16.7%, −216 bps YoY

Net profit of HK$2.62 billion, −17.5% YoY

Basic earnings per share of HK$6.36, −17.6% YoY

Order backlog of HK$8.98 billion (US$1.15 billion) as of 31 December 2022

Full Year 2022 dividend per share of HK$3.20, −17.9% YoY

REVENUE GUIDANCE FOR Q1 2023

US$455 million to US$525 million

2022 FINANCIAL HIGHLIGHTS (continued)

	2022 HK$'000	2021 HK$'000
Revenue	**19,363,495**	21,947,637
Cost of sales	**(11,397,547)**	(13,040,030)
Gross profit	**7,965,948**	8,907,607
Other income	**122,528**	133,384
Selling and distribution expenses	**(1,705,253)**	(1,802,229)
General and administrative expenses	**(997,654)**	(1,009,395)
Research and development expenses	**(2,026,478)**	(1,954,394)
Other gains and losses	**86,546**	(43,006)
Other expenses	**(76,048)**	(158,805)
Finance costs	**(119,936)**	(118,422)
Share of result of a joint venture	**163,338**	137,719
Profit before taxation	**3,412,991**	4,092,459
Income tax expense	**(794,924)**	(917,279)
Profit for the year	**2,618,067**	3,175,180
Profit (loss) for the year attributable to:		
Owners of the Company	**2,620,251**	3,168,976
Non-controlling interests	**(2,184)**	6,204
	2,618,067	3,175,180
Earnings per share		
— Basic	**HK$6.36**	HK$7.72
— Diluted	**HK$6.33**	HK$7.69

CHAIRMAN'S STATEMENT

"We have strong foundations in place for the future. Looking ahead, we remain optimistic of the Group's prospects as the increasing appetite for silicon and semiconductor content shows no sign of abating, with the voracious appetite for data driven by technological advancements to support 5G, AI, autonomous vehicles, cloud computing, AR, VR and more.

These profound, structural megatrends will fuel demand, and we are well positioned to capture future opportunities based on our unique broad-based portfolio, strategic plans, a continued keen emphasis on R&D, and a refreshed leadership team. With our fundamentals in place and strategic initiatives continuing to unfold and take hold, we are confident of ASMPT's trajectory toward long-term growth and profitability."

Orasa Livasiri
Chairman

DEAR SHAREHOLDERS, EMPLOYEES, AND STAKEHOLDERS,

It gives me great pleasure to present ASMPT Limited's 2022 Annual Report. As 2023 unfolds with cautious optimism, I am keenly aware of the enduring impact of the 'VUCA' (Volatile, Uncertain, Complex and Ambiguous) macroeconomic environment. In a nutshell, the traditional drivers of stability and predictability have been thoroughly challenged by a landscape of increased unpredictability and more rapid change.

The year 2022 was characterised by VUCA elements. We started somewhat optimistically from a 2021 marked by an unusually strong 'post-pandemic' rebound and the world seemed to be returning to a state of normalcy. However, rapid shifts, notably the advent of the Ukraine conflict, became a focal point for geopolitical and marketplace challenges. These came on top of extant issues such as persistent inflation, climate change impact and lingering effects from the pandemic. Each of these elements would have been a challenge for the global ecosystem, but their collective consequence was far reaching for our industry as the 'super-cycle' year 2021 quickly metamorphosed into a semiconductor downcycle in 2022.

Looking back, 2022 challenged our sense of stability and predictability, with old rules of engagement looking increasingly archaic. However, every crisis also presents opportunities; the Chinese character for 'Crisis' (危機) contains this very sense of potential within danger. ASMPT's business is built on robust fundamentals underpinned by a unique broad-based portfolio that provided us with the flexibility and adaptability to leverage opportunities amidst a tumultuous environment.

I am pleased to say that despite 2022's challenges, the Group delivered a very resilient and creditable performance. Here, I wish to acknowledge our global ASMPT workforce for their grit, determination, and sacrifice; the Board and management team remain indebted to them. Our experience in 2022 underscores for me, more than ever, the need for leaders to be prepared and willing to help their teams navigate ambiguity and complexity with courage and perseverance.

Let me now highlight some noteworthy developments for 2022.

CONTINUE DELIVERING VALUE TO OUR SHAREHOLDERS

Our resilient performance for the full year can be seen in one key metric — achieving our second-highest annual revenue of HK$19.36 billion (US$2.47 billion) and a healthy net profit of HK$2.62 billion. Coming on the heels of our record annual revenue in 2021 — the 'super-cycle' year — this was no small feat. This momentum was in large part also enabled by the Group's strategic growth and cost optimisation initiatives that began a progressive roll out across the Group in 2021 and which continued in 2022. As part of an overall business transformation, strategic growth involves steering the Group's product mix towards advanced, high-growth and under-represented markets, while at the same time driving relentless cost optimisation across the organisation. With these strong foundations in place, I strongly believe that we are headed in the right direction to drive long-term operational excellence, business success and employee satisfaction.

We maintained our dividend commitment to shareholders, declaring a total dividend per share of HK$3.20 for the full year 2022; this represents an approximate 50% pay-out over 2022's net profit.

AAMI JOINT VENTURE HITS ANOTHER RECORD

The Group's former materials business came under the Advanced Assembly Materials International Limited ("AAMI") Joint Venture that began operating at the end of 2020. After its strong financial performance in 2021 that exceeded set targets, AAMI hit another record year in 2022. I am confident that AAMI remains on track to meet certain mutually agreed profitability targets going forward and will continue to be earnings accretive to the Group's performance.

BUILDING UNIQUE IDENTITY WITH NAME CHANGE

In order to invigorate a new and unique corporate image and character that better reflects the Group's current business and future growth, the Group changed its name from "ASM Pacific Technology Limited" to "ASMPT Limited", effective from 1 June 2022. With the name change, the Group also unveiled a new brand and logo across all its global operations in a major global re-branding exercise. The move has been met with overwhelming enthusiasm by employees, customers and partners. The Board and management team firmly believe that as 'ASMPT', we will continue to carve out and develop our distinctive business identity and differentiation, and that this is in the interests of both ASMPT and our shareholders.

INVIGORATING THE TEAM

I am delighted to welcome Ms. Xu Yifan, Katie to the senior management team. Ms. Xu joined the Group as Chief Financial Officer with effect from 4 May 2022. She has over two decades of experience as a finance professional in the multi-industrial, service and software industries. Ms. Xu joins the Group at a crucial time in its growth to further strengthen the financial function.

As part of rejuvenating the Board, I am also pleased to welcome Mr. Andrew Chong Yang Hsueh and Ms. Hera Siu Kitwan as fellow Board members. Mr. Chong has over 30 years of experience in the semiconductor industry. He has served on several Singapore government committees and continues to be Chair and member of several high-profile committees and boards. Ms. Siu currently has directorships for globally recognised companies and has a rich corporate background in technology and software firms.

These new additions to the Board and senior management team will not only add a fresh perspective to our strategy and initiatives but will also propel our Group towards realising our potential and ensuring continued growth and profitability.

EMBRACING SUSTAINABILITY MEGATRENDS

In 2022, ASMPT dedicated itself to becoming an ESG leader in the semiconductor industry. To that end, a comprehensive ESG framework and action plan was implemented throughout our operations worldwide. The key environmental focus is on eliminating our emissions footprint. ASMPT has committed to the aggressive target of reducing its Scope 1 & 2 emissions to net-zero by 2035. On the social side, diversity, equality and inclusivity are key themes, with the current focus on increasing gender diversity within ASMPT and the industry as a whole. And finally, as part of our governance framework, effective climate risk identification and management protocols are key to protecting the Group's interests and ensuring the long-term sustainability of ASMPT's business.

More details on our sustainability initiatives and targets can be found in the 2022 Environmental, Social and Governance Report that has been released simultaneously with this Annual Report.

Semiconductor Climate Consortium
FOUNDING MEMBER

CONCLUSION

There are varying opinions about how 2023 will unfold, and we share our thoughts as well in this Annual Report. Fundamentally, we have strong foundations in place to meet the needs and challenges of the future. We will steer our business with cautious optimism through this year, and looking beyond 2023, we remain optimistic of the Group's prospects as the increasing appetite for silicon and semiconductor content shows no sign of abating. There is a sustained and voracious appetite for data, driven by technological advancements to support 5G, AI, autonomous vehicles, cloud computing, AR, VR and more.

These profound, structural megatrends will fuel demand, and we are well positioned to capture future opportunities based on our unique broad-based portfolio, strategic plans, a continued keen emphasis on R&D, and a refreshed leadership team. With our fundamentals in place and strategic initiatives continuing to unfold and take hold, we are confident of ASMPT's trajectory toward long-term growth and profitability.

Besides our global team, my heartfelt appreciation also goes to our customers, suppliers, and business partners, for their unwavering support to the Group. I would sincerely like to thank fellow Board members and ASMPT's Management for tirelessly working together in a trying year and showing commendable performance.

Last but in no way the least, I would like to thank our shareholders for your patience, faith, and continued confidence in ASMPT. We highly appreciate your being part of our journey and trust that together we can reach new heights.

Orasa Livasiri
Chairman

28 February 2023

MANAGEMENT DISCUSSION AND ANALYSIS

"The Group delivered a resilient performance in 2022 despite macroeconomic uncertainties. Our unique broad-based portfolio continues to be a key competitive advantage for us, enabling us to mitigate industry cycles. Across our SEMI and SMT segments, our portfolio provides us with a volume-based business for mainstream and applicative tools, and the ability to drive the development of our high-growth, high-margin advanced tools, including software solutions. We believe our ability to progressively integrate and optimise our overall solutions suite is unparalleled and will continue to stand us in good stead as we thrive and compete in the market."

Ng Cher Tat, Robin
Group CEO

RESULTS SUMMARY

ASMPT Limited and its subsidiaries (the "Group" or "ASMPT") delivered revenue of HK$19.36 billion (US$2.47 billion) for the fiscal year ended 31 December 2022, which was 11.8% lower year-on-year ("YoY") than the preceding year's revenue. The Group's consolidated profit after taxation for the year was HK$2.62 billion, a decrease of 17.5% YoY. Basic earnings per share ("EPS") for the year amounted to HK$6.36 (2021: HK$7.72).

DIVIDEND

The Group has a dividend policy of giving around 50% of its annual profits as dividends and firmly believes in returning excess cash to its shareholders. After considering its short-term needs and cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of HK$1.90 (2021: final dividend of HK$2.60) per share. Together with the interim dividend of HK$1.30 (2021: HK$1.30) per share paid in August 2022, the total dividend payment for year 2022 will be HK$3.20 (2021: HK$3.90) per share.

GROUP BUSINESS REVIEW

Before diving into our review of financial year 2022, it is necessary to acknowledge the collective contribution from the entire ASMPT team around the world. With their dedication, commitment, perseverance, and focus on customers, the Group managed to record its second-highest annual revenue and bookings[1], coming on the heels of the record performance during the 'super-cycle' of 2021. This commendable performance was achieved despite challenging macroeconomic conditions that characterised 2022.

Our 2022 review will begin with a commentary on noteworthy business highlights. This will be followed by a financial review of the Group and its Segments, namely the Semiconductor Solutions Segment ("SEMI") and SMT Solutions Segment ("SMT").

Unique, Broad-based Portfolio Mitigates Macroeconomic and Semiconductor Downcycle Impact

In 2022, the combined impact from geopolitical conflicts, ongoing trade tensions, sporadic COVID-19 restrictions, and persistent inflationary pressure served to also drive a steeper than anticipated semiconductor downcycle as overall consumer sentiment became dampened. Despite this, the Group's unique broad-based portfolio enabled the Group to partially mitigate decline in SEMI revenue via growth in SMT revenue. The Group's SMT business in 2022 achieved a record for annual revenue, powered by strong demand in the Automotive and Industrial markets. SMT's annual percentage share of Group bookings also achieved a record in 2022, reflecting the Group's resilience in a semiconductor down-cycle.

SMT — Stellar Performance

SMT's record annual revenue performance in 2022 was due to its strong presence in the Automotive and Industrial end market applications. SMT's Automotive and Industrial end markets contributed close to half of SMT's total revenue for 2022, fuelled in no small measure by strong demand for its high-end placement and printing tools, mostly from Europe and the Americas. This stellar performance gives the Group confidence that its SMT market share surpassed its competitors in 2022.

Automotive — Record Revenue

The Group's comprehensive range of Automotive solutions are gaining traction by addressing both current and future market needs.

In terms of solutions, the Group's laser singulation, sintering and SMT placement solutions saw demand growth with more top-tier customers added. Notably, the Group's laser singulation and sintering solutions are the process of record ("POR") for Silicon Carbide ("SiC") related applications in the Automotive market.

The Group's solutions have been increasingly serving pure Electric Vehicle ("EV") players, including fast-growing Chinese EV players with its relevant suite of solutions.

[1] Excludes contribution from Materials business, which has been deconsolidated and equity accounted for since 29 December 2020

GROUP BUSINESS REVIEW (CONTINUED)

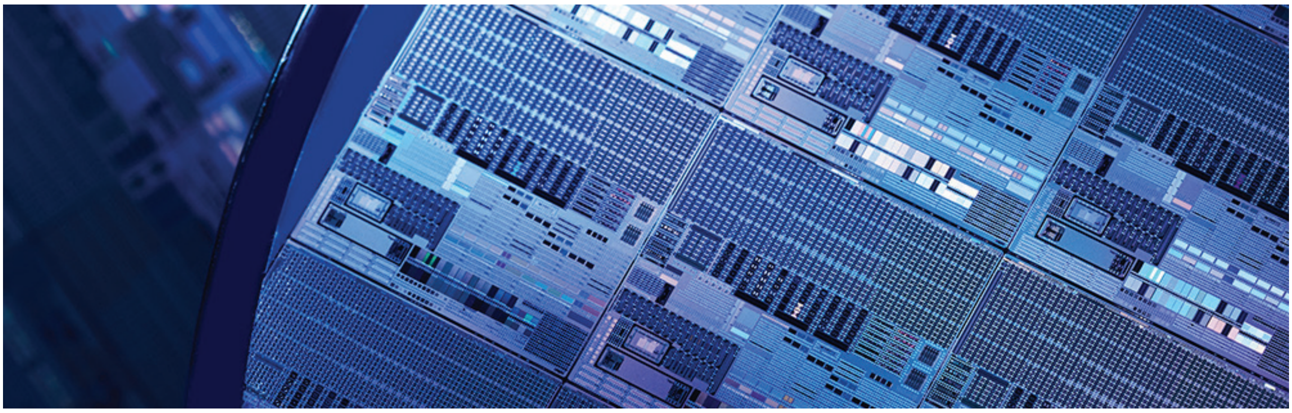
Automotive — Record Revenue (Continued)

On the back of fast-growing Automotive electrification trends, the Group's Automotive end market applications contributed a record of approximately US$515 million to its 2022 revenue, a growth of about 20% YoY. Automotive end market applications also registered the highest proportion of Group revenue at about 21%.

Looking ahead, the Group estimates that the addressable market for Automotive end market applications will grow from approximately US$2.0 billion in 2023 to US$2.9 billion in 2027, representing a compounded annual growth rate ("CAGR") of about 10%.

Advanced Packaging — Packing A Punch

The Group has possibly the industry's most comprehensive suite of Advanced Packaging ("AP") solutions spanning both SEMI and SMT. The Group's AP solutions enjoyed robust demand through 2022, contributing approximately US$500 million, or about 20% of the Group's overall revenue. This proportion has held steady YoY. In the longer term, the Group estimates that its addressable market for AP will progressively expand from approximately US$1.5 billion in 2023 to US$2.5 billion in 2027, a CAGR of about 13.3%. Over the same period, Group is confident of gradually growing its market share of this expanding addressable market.



Some meaningful developments within the Group's diverse AP solutions are highlighted below:

Thermo-Compression Bonding ("TCB") — Continued Upside Momentum

As the established market leader for TCB, the Group is expected to convert a significant proportion of its more than US$100 million TCB order backlog in 2023. The Group has received repeat TCB orders for High Bandwidth Memory ("HBM") with a healthy demand forecast going forward.

Looking ahead, the Group is deep into the development of the next generation of green, ultra-fine pitch, chip-to-wafer TCB tools, with strong support from its leading logic IDM and foundry customers. The green innovations involve developing environmentally friendlier processes; collectively these advancements will expand the served available market for leading-edge advanced nodes and Heterogeneous Chiplet Integration in the semiconductor packaging and assembly market. The Group expects these advanced TCB tools to be delivered starting from first quarter of 2023 for customers' qualification. In terms of a competitive edge, the Group's TCB solution can achieve high placement accuracy below 1 micron.

GROUP BUSINESS REVIEW (CONTINUED)

Advanced Packaging — Packing A Punch (Continued)

Thermo-Compression Bonding ("TCB") — Continued Upside Momentum (Continued)

These advanced TCB tools will also address total cost of ownership ("TCO") challenges in the domain being served by nascent Hybrid Bonding ("HB") technology. Basically, the TCO for TCB processes significantly outperforms HB in many niche applications. For such applications, TCB technology can fill this 'sweet spot' for bump pitch requirements (generally close to 10 microns). Looking ahead, the Group is confident that its TCB tools will experience long-term structural growth amid heightened demand for heterogeneous integration ("HI") requirements in the industry.

HB Tools — Developments on Track

Based on the industry's application and process learning thus far, the market demand and requirements for HB tools are still evolving, with more stringent requirements for higher yields, throughput, and placement accuracy. The Group's HB development roadmap is factoring in these evolving dynamics to develop and deliver leading edge solutions that are aligned with its customers' HVM ramp-up. Bearing this in mind, the Group's HB tools remain on track to deliver qualification tools to leading customers in US and Asia for logic and other types of applications.

Panel Electrochemical Deposition ("ECD") Tools — Leading the Pack

The Group has a dominant market share of the panel ECD tools market, with worldwide deployment of multiple panel ECD tools in several High Volume Manufacturing ("HVM") sites driven primarily by High Performance Computing ("HPC") needs. Notably, the Group's Malaysia operations for these tools have started shipping modules, bringing these operations closer to the Group's customers in Asia.

As large and sophisticated chip architectures proliferate, there is a growing demand for advanced substrates with larger form factors and finer line/space. With these substrate panels several times the size of wafer sized carriers, more productive and cost competitive fan out packaging options become possible. The Group's leading panel ECD tools are used in Panel Level Packaging and panel plating for HI packaging, with these tools also providing a unique plating advantage that enables line/space below 10 microns.

Advanced Display and Silicon Photonics ("SiPh") Tools — Gaining Traction Through Innovation

Supported by the growing demand for seamless, large-sized displays, the Mini and Micro LED RGB display market is expanding. Here, the Group's advanced display tools continue to make inroads. The Group's Mini LED solutions have helped speed up mass market penetration for advanced displays, while its Micro LED solutions are edging closer to eventual mass market adoption, with promising new areas of opportunity including AR and 'near-eye' displays. Here, the Group's leading-edge advanced display solution boasting 'fungibility' between mass transfer and mass bonding capabilities is already primed to meet the HVM needs for Micro LED. Overall, the Group is well-positioned to gain market share in advanced displays.

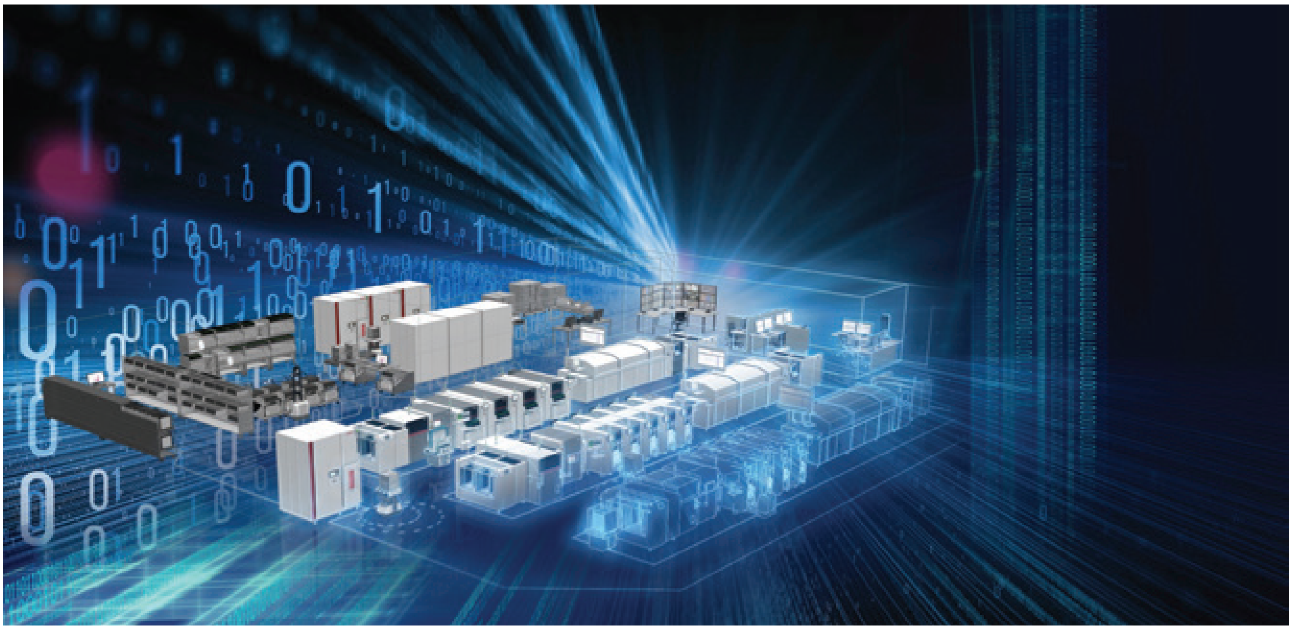
SiPh has enabled solutions offering high data-rate advancement and power effectiveness for cloud computing using laser-optical-fibres. The Group's AMICRA tools are the market leading system with 0.2-micron placement capability and suitability for all high-end manufacturing needs for both SiPh and Co-Packaged Optic devices such as optical transceivers and photonic engines. Such tools are also being utilised by leading tier-one players for optical communication and the Group is confident of continued market traction in this growing segment.

GROUP BUSINESS REVIEW (CONTINUED)

Advanced Packaging — Packing A Punch (Continued)

System-in-Package ("SiP") SMT Printing & Placement — Dominating the Market

Fuelled by the proliferation of 5G, smartphones and high-end wearables, the Group's market-leading SiP placement tools experienced robust demand. Secular trends are expected to continue driving customers' long term capital investment plans in this important area for SiP applications. Looking ahead, a new chip assembly solution will be introduced to the market in 2023 in response to customer requirements for high-speed and high-accuracy die placement solutions.



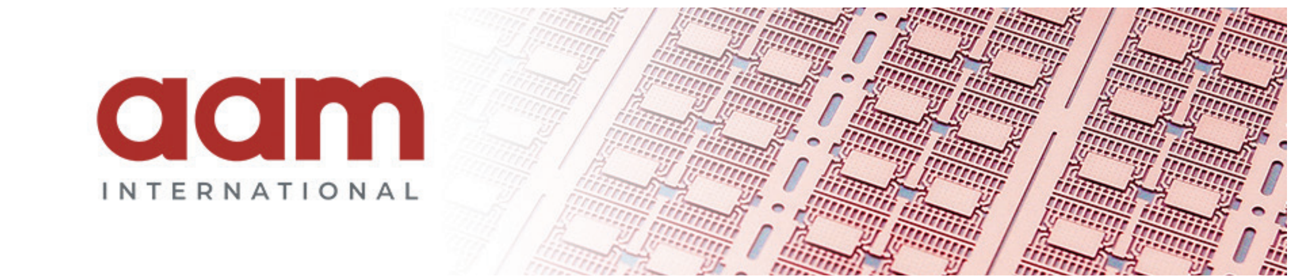
Laser Singulation — On Strong Growth Path

The Group's laser singulation market share gains have been gathering pace over the last few years, fuelled by accelerating demand for more complex chip architectures with challenging requirements. These have rendered laser singulation tools increasingly the POR, replacing conventional blade dicing processes.

The Group's product and technology roadmap for laser singulation is closely aligned with leading IDMs and it believes its next generation laser singulation tools will deliver longer term revenue contribution of at least US$100 million annually. Also, in line with strong market demand signals, the Group has ramped up its production capacity to deliver tools from its Singapore operations, thus bringing production closer to many of its key customers.

Continued Growth From AAMI (JV)

Advanced Assembly Materials International Limited ("AAMI") delivered a record performance in 2022. AAMI is on track to meet certain mutually-agreed profitability targets from 2021 to 2023 set out in the shareholders' agreement, which if met, will trigger an increase in the Group's ownership in AAMI from 44.44% to 49% in 2024. AAMI is in the process of ramping up its capacity to continue driving long-term growth and market expansion.



GROUP BUSINESS REVIEW (CONTINUED)

Group Financial Review

(in HK$ million)	Q4 2022	QoQ	YoY	FY 2022	YoY
Bookings	3,116.6 (US$398.0 million)	−14.0%	−40.6%	18,435.3 (US$2,355.6 million)	−29.4%
Revenue	4,330.4 (US$553.1 million)	−5.1%	−30.2%	19,363.5 (US$2,472.7 million)	−11.8%
Gross Margin	41.4%	+55 bps	+8 bps	41.1%	+55 bps
Operating Margin	13.7%	−74 bps	−633 bps	16.7%	−216 bps
Net Profit	266.6	−56.8%	−70.7%	2,618.1	−17.5%
Net Profit Margin	6.2%	−737 bps	−853 bps	13.5%	−95 bps

FY 2022 Group Financial Review

The Group delivered a resilient performance compared with the super-cycle year of 2021, in spite of dampened consumer sentiment and the industry downcycle. The Group registered full-year revenue performance of HK$19.36 billion (US$2.47 billion), representing YoY decline of 11.8%. The Group's segments follow different business cycles and that shielded the Group as the 25.2% YoY decline in SEMI segment revenue was partially offset by 9.8% revenue growth from the SMT segment, which achieved its highest yearly revenue. Looking at the end-markets, the Group's revenue performance was impacted by the following developments:

(i) Automotive market registered strong growth of about 20% YoY and had the highest contribution to Group revenue at about 21% boosted by structural electrification trends globally and expansion of customer base;

(ii) Industrial market witnessed strong growth of around 32% YoY and contributed about 16% to Group revenue, up from 11% in 2021. The boost in demand was augmented mainly by power-related applications; and

(iii) Consumer, Communication and Computers markets combined witnessed a slowdown due to weak market sentiment.

In terms of geographical breakdown, China (including Hong Kong) witnessed a decline in revenue YoY and its share of Group revenue reduced from 52% to 42%. This reduction was compensated by revenue growth from Europe, the Americas and Malaysia markets. In 2022, the Group continued to experience a low degree of customer revenue concentration, with its top five customers accounting for only about 12.8% of total revenue.

For bookings, the Group witnessed a decline of 29.4% YoY to HK$18.44 billion (US$2.36 billion) due to a high base effect in 2021. The SEMI business saw a sharp decline of 44.4% YoY due to the impact of the downcycle and weak consumer sentiment, while the SMT segment held relatively firm with only a 5.9% YoY reduction in bookings due to strength in Industrial and Automotive markets. This is a testimony to the effect of the Group's unique, broad-based portfolio. From an end-market perspective, AP, Automotive and Industrial combined contributed about 60% of Group bookings for 2022. The Group ended the year with a strong backlog of HK$8.98 billion (US$1.15 billion), and a book-to-bill ratio of 0.95.

Group's gross margin improved by 55 bps YoY to 41.1%, driven by both the SEMI and SMT segments due to a favourable product mix, targeted pricing adjustments and ongoing strategic initiatives.

GROUP BUSINESS REVIEW (CONTINUED)

FY 2022 Group Financial Review (Continued)

However, some of these improvements were partially offset by higher material and logistics costs due to tight global supply chains.

The Group's operating margin was down 216 bps YoY to 16.7% due to lower sales volume and an increase in operating costs mainly due to inflationary pressure from material and personnel costs.

In line with reduced revenue and operating margin, the Group's net profit (including share of results from AAMI) declined 17.5% YoY to HK$2.62 billion.

The Group recorded robust cash and bank deposits of HK$4.42 billion at the end of 2022 (versus 2021's HK$4.88 billion), even after bumper dividends paid in 2022 for the super-cycle year 2021 and share buybacks.

Q4 2022 Group Financial Review

The Group outperformed the market consensus, delivering revenue of HK$4.33 billion (US$553.1 million), a decline of just 5.1% QoQ and exceeding the top end of the revenue guidance of between US$455 million to US$525 million issued in the previous quarter's results announcement.

The Group's bookings of HK$3.12 billion (US$398.0 million) decreased by 40.6% YoY due to a high base effect in 2021. Bookings declined 14.0% QoQ due to general seasonality trends.

The Group delivered a gross margin of above 40% for the 7th consecutive quarter. Gross margin of 41.4% represented a YoY and QoQ improvement of 8 bps and 55 bps respectively. YoY growth was mainly due to better gross margin performance across both SEMI and SMT segments and QoQ growth was mostly contributed by the SMT segment.

The Group's operating margin of 13.7% declined 633 bps YoY mainly due to a high base effect and lower sales volume.

The Group's net profit of HK$266.6 million declined 70.7% YoY and 56.8% QoQ. This included net foreign exchange losses of approximately HK$200 million.

Semiconductor Solutions Segment Financial Review

(in HK$ million)	Q4 2022	QoQ	YoY	FY 2022	YoY
Bookings	1,124.8 (US$143.6 million)	−24.4%	−59.6%	8,860.3 (US$1,132.5 million)	−44.4%
Revenue	1,882.7 (US$240.6 million)	−14.7%	−54.0%	10,104.8 (US$1,290.5 million)	−25.2%
Gross Margin	44.4%	−15 bps	+74 bps	44.6%	+87 bps
Segment Profit	114.1	−61.6%	−88.5%	1,652.6	−45.4%
Segment Profit Margin	6.1%	−739 bps	−1,820 bps	16.4%	−604 bps

The SEMI segment registered Q4 2022 revenue of HK$1.88 billion (US$240.6 million), representing 43.5% of Group revenue, a decrease of 54.0% YoY and 14.7% QoQ.

GROUP BUSINESS REVIEW (CONTINUED)

Semiconductor Solutions Segment Financial Review (Continued)

Each of its Business Units ("BU"s) registered YoY and QoQ revenue declines. The revenue performance was driven by the following developments within each of the BU's:

(i) The IC/Discrete BU's mainstream tools, such as die attach and wire bonders, continued to experience weak demand. However, tools serving the Automotive and AP markets largely increased QoQ.

(ii) The Optoelectronics BU revenue was driven by demand for its more advanced tools serving ultra-fine pitch Mini LED displays and Silicon Photonics applications.

(iii) The CIS BU continued to experience weakness mainly due to ongoing softness in the global smartphone market.

The segment recorded Q4 2022 bookings of HK$1.12 billion (US$143.6 million), a decline of 59.6% YoY due mainly to a high base effect. Bookings declined 24.4% QoQ due to ongoing semiconductor downcycle and seasonality.

Segment Q4 2022 gross margin was 44.4%, an increase of 74 bps YoY and a decline of 15 bps QoQ. The YoY margin enhancement was mainly due to increased revenue contributions from Automotive and AP end markets and cost control measures.

Segment profit was HK$114.1 million in Q4 2022, a decrease of 88.5% YoY and 61.6% QoQ.

GROUP BUSINESS REVIEW (CONTINUED)

SMT Solutions Segment Financial Review

(in HK$ million)	Q4 2022	QoQ	YoY	FY 2022	YoY
Bookings	1,991.8 (US$254.4 million)	−6.8%	−19.1%	9,574.9 (US$1,223.0 million)	−5.9%
Revenue	2,447.8 (US$312.5 million)	+4.0%	+16.4%	9,258.7 (US$1,182.2 million)	+9.8%
Gross Margin	39.1%	+171 bps	+235 bps	37.3%	+183 bps
Segment Profit	526.8	+14.3%	+61.7%	1,825.6	+32.5%
Segment Profit Margin	21.5%	+194 bps	+603 bps	19.7%	+339 bps

The SMT segment continued to deliver stellar performance and recorded Q4 2022 revenue of HK$2.45 billion (US$312.5 million), which accounted for 56.5% of the Group's revenue. This was an increase of 16.4% YoY and 4.0% QoQ. Revenue growth was boosted by strong contributions from segment's high-end placement and printing tools for mainly Industrial and Automotive applications. These two end markets contributed more than half of the segment's revenue.

The segment achieved Q4 2022 bookings of HK$1.99 billion (US$254.4 million), a decline of 19.1% YoY and 6.8% QoQ, mainly due to seasonality and continued weakness in the Consumer, Communication and Computers end markets. Bookings from the Industrial and Automotive end markets continued their strong contribution to the segment.

Segment Q4 2022 gross margin was 39.1%, an increase of 235 bps YoY and 171 bps QoQ. The margin improvement was mainly due to a favourable product mix.

Segment profit was HK$526.8 million in Q4 2022, an improvement of 61.7% YoY and 14.3% QoQ.

2023 PROSPECTS AND Q1 2023 REVENUE GUIDANCE

Feedback from the Group's customers and insights from industry watchers indicate a general market consensus that the semiconductor sector could begin its recovery in the second half of 2023.

Looking at the Group's business, there are some encouraging factors. For one, the Group entered 2023 with a sizeable order backlog and it expects the majority of this backlog to be delivered in 2023. On another front, the Group continues to see strength in the Automotive, Industrial and Advanced Packaging markets, supported by longer-term secular trends and continued efforts by many players to build supply chain resilience. Last but not least, the Group's unique, broad-based portfolio provides a strong foundation and key competitive advantages. All these should help drive the Group's performance in 2023.

Looking at the near term, with the ongoing semiconductor downcycle and macroeconomic uncertainties, the Group expects revenue for Q1 2023 to be between US$455 million to US$525 million, a decline of 27.4% YoY and 11.4% QoQ at mid-point.

LEADING EDGE RESEARCH AND DEVELOPMENT

Sustained Research and Development ("R&D") investment is critical for delivering the required semiconductor and technology breakthroughs that will tap secular growth opportunities and create value for customers and shareholders. The Group's R&D framework bears witness to this, consisting of developing robust R&D Infrastructure and the capabilities of its unique Enabling Technologies Group ("ETG") to effectively enable and support innovation across the entire Group.

With a total staff strength of more than 2,500, the Group's global R&D team remains focused on delivering highly innovative and market relevant products from several R&D centres across the world: the Americas (Boston), Asia (Chengdu, Hong Kong, Huizhou, Shenzhen, Singapore, Suzhou and Taoyuan) and Europe (Beuningen, Munich, Porto, Regensburg and Weymouth). The Group has a longstanding practice of allocating a significant amount of its annual revenue to R&D in order to consistently generate a pipeline of new products (2022: HK$2.03 billion versus 2021: HK$1.95 billion). The Group has also delivered about 2,000 patents and patent applications to-date.

LEADING EDGE RESEARCH AND DEVELOPMENT (CONTINUED)

Unique Enabling Technology Group

The ETG is a unique competitive advantage for the Group that is focused on building core competencies to address a broad array of critical technologies, including advanced motor, advanced process, metrology, motion system and control, precision design, software systems, thermal control, vibration control and vision technology.

The global ETG team is more than 500-strong. They enable the Group to rapidly harness the potential of dynamic technology developments. Crucially, the ETG's technology experts efficiently connect and collaborate with other technology leaders on advanced developments for the Group's applications. This provides some significant capabilities for the Group, such as a consistent on-schedule delivery of innovative solutions for both mainstream and advanced packaging, and the ability to regularly bring 'frontier' solutions to customers at a much faster pace than the competition.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 31 December 2022 was HK$4.42 billion (2021: HK$4.88 billion). During 2022, HK$1.61 billion was paid as dividends (2021: HK$1.36 billion). Capital additions during the year amounted to HK$463.1 million (2021: HK$369.3 million), which was fully funded by the year's depreciation and amortisation of HK$507.7 million (2021: HK$526.2 million), excluding the depreciation of right-of-use assets of HK$230.9 million (2021: HK$216.6 million) due to application of HKFRS 16.

As of 31 December 2022, the debt-to-equity ratio was 0.142 (2021: 0.175). Debts include all bank borrowings. The Group had available banking facilities of HK$3.41 billion (US$437.1 million) (2021: HK$3.34 billion (US$428.2 million)) in the form of bank loans and overdraft facilities, of which HK$1.86 billion (US$238.5 million) (2021: HK$1.86 billion (US$238.5 million)) were committed borrowing facilities. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in Hong Kong dollars.

The Group had unsecured bank borrowings of HK$2.25 billion as of 31 December 2022 (2021: HK$2.70 billion), consisting of variable-rate syndicated loan (2021: variable-rate syndicated loan and other bank borrowings). Other than the syndicated loan, all the other borrowings were fully repaid during the year ended 31 December 2022. 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 (2021: 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$15.74 billion (2021: HK$15.28 billion) as at 31 December 2022.

As of 31 December 2022, cash holdings of the Group were mainly in US dollars, Euros and Chinese RMB. The Group's SMT Solutions Segment entered into US dollar and Euro hedging contracts to mitigate foreign currency risks, as a significant portion of the production of SMT equipment and its suppliers are located in Europe, while a substantial part of the Group's revenue for SMT equipment is denominated in US dollars. In terms of currency exposure, the majority of the Group's sales and disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese RMB.

SIGNIFICANT INVESTMENT

As of 31 December 2022, 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. 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 is as follows:

(i)	Details of the investment in AAMI:	4,444 ordinary shares in AAMI, representing 44.44% equity interests in AAMI. The carrying value of the Group's investment in AAMI is HK$1,516 million
(ii)	Fair value of the investment in AAMI:	HK$1,523 million
(iii)	The investment's size relative to the Group's total assets:	6.1%
(iv)	The performance of the investment in AAMI:	For the year ended 31 December 2022, the share of results of AAMI was HK$163 million, and no dividend was received from AAMI
(v)	Principal activity of AAMI and its subsidiaries:	Manufacturing and trading of materials products
(vi)	The Group's investment strategy:	Long-term investment in the materials business

ENVIRONMENTAL, SOCIAL & GOVERNANCE ("ESG")

The Group has dedicated itself to becoming an ESG leader in the semiconductor industry. To that end, a comprehensive ESG framework and action plan was implemented in 2022 throughout ASMPT's operations worldwide. The key environmental focus is on eliminating the Group's emissions footprint, with a commitment to reducing its Scope 1 & 2 emissions to net-zero by 2035.

On the social side, diversity, equality and inclusivity is the Group's topmost priority, with the current focus on increasing gender diversity within ASMPT and the industry as a whole. As part of the Group's governance framework, effective climate risk identification and management protocols are key to protecting the Group's interests and ensuring the long-term sustainability of its business.

More details on the Group's sustainability initiatives and targets will be highlighted in the 2022 ESG Report that will be released simultaneously with the Group's Annual Report.

HUMAN RESOURCES

The Group highly values its global workforce and introduced new human resource ("HR") measures to create a positive work culture and employee experience. Some of these measures included providing opportunities under a skills development programme to enable career development; instituting a succession planning strategy to identify key high-potential employees for talent development programmes; attracting more talented individuals to join the company by offering scholarships, internships, gigs and apprenticeships; and creating a more engaging environment for employees via activities such as townhalls, CEO tea sessions and 'hackathon' sessions. The Group also reviewed the total compensations of its employees benchmarking them against relevant internal and external parameters, and invested in a global HR system aimed at improving the entire employee digital experience encompassing transactions, engagement, growth and development.

HUMAN RESOURCES (CONTINUED)

In addition, the Group continues to

- Develop Diversity & Inclusion ("D&I") initiatives to heighten awareness on diversity and strengthening inclusivity within ASMPT;

- Review its talent strategy to attract and retain employees to grow the Group's talent pool and community;

- Improve employees' meaning and purpose of work through new work arrangement, global Corporate Social Responsibility activities, regular townhall communication and alignment of goals supporting the overall strategy of ASMPT; and

- Elevate leadership quality through articulating the expected level of High Performance Behaviour Model and internalising them through role modelling and training.

As of 31 December 2022, the total headcount for the Group was about 11,600, excluding about 1,000 flexi workers and outsourced workers. Of the 11,600, approximately 1,000 were based in Hong Kong, 5,600 in mainland China, 1,200 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 2022 was HK$5.22 billion, compared with HK$5.55 billion for 2021. The Group continues its commitment to fairly remunerate its employees while manoeuvring through a downcycle year with a prudent and measured approach towards managing overall manpower costs.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has a diversified portfolio of business operations across the world. Any failure address or cope with relevant requirements may result in non-compliance with local laws or regulations, leading to not only financial loss but also reputational damage to the Group. In order to mitigate any relevant risks, the Group actively assesses the effects of global trends and developments. It also engages closely with regulatory authorities and external advisors on new laws and regulations as well as trending legislations, to ensure that the relevant requirements are properly complied with in a timely and effective manner.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of machines and tools used in the semiconductor and electronic assembly industries. Details of the Company's principal subsidiaries as at 31 December 2022 are set out in note 47 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Directors recommend the payment of a final dividend of HK$1.90 (2021: final dividend of HK$2.60) per share which, together with the interim dividend of HK$1.30 (2021: interim dividend of HK$1.30) per share paid during the year, amounts to a total dividend of HK$3.20 (2021: HK$3.90) per share for the year.

Details of the results and the financial position of the Group are set out in the consolidated financial statements on pages 60 to 161.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, and a description of possible risks and uncertainties that the Group may face are provided in the Chairman's Statement and Management Discussion and Analysis on pages 5 to 8 and pages 9 to 21 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 44 to the consolidated financial statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also contained in the Management Discussion and Analysis on pages 9 to 21 of the annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 162 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

During the year ended 31 December 2022, a total of 2,633,700 shares were issued at par under the Company's Employee Share Incentive Scheme (the "Scheme") to an independent professional trustee appointed by the Board under the Scheme (the "Trustee") and to certain employees. Details of the movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2022 are set out in note 33 to the consolidated financial statements.

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

The Company was authorised at its 2022 AGM held on 10 May 2022 to buy back its own ordinary shares not exceeding 5% of the total number of its issued shares as at the date of the resolution being passed.

During the year ended 31 December 2022, the Company bought back an aggregate of 2,834,700 ordinary shares for a total consideration of approximately HK$168 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase) on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the shares bought back were subsequently cancelled. Details of the share buybacks are as follows:

Month of share buyback in 2022	Number of shares bought back	Consideration per share Highest (HK$)	Consideration per share Lowest (HK$)	Aggregate consideration paid (HK$'000)
August 2022	1,005,200	66.40	60.55	63,482
September 2022	1,462,200	63.20	55.65	88,453
October 2022	100,000	44.85	43.10	4,402
November 2022	267,300	46.20	42.55	11,862
	2,834,700			**168,199**

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

During the year ended 31 December 2022, the Trustee, pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Stock Exchange a total of 429,700 shares in the Company at a total consideration of approximately HK$33.2 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

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 2022.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distribution to shareholders amounted to HK$3,136,993,000 (2021: HK$2,582,741,000). In accordance with the Company's Articles of Association, dividends can only be distributed out of profits of the Company.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Independent Non-Executive Directors
Miss Orasa Livasiri, *Chairman*
Mr. John Lok Kam Chong
Mr. Wong Hon Yee
Mr. Eric Tang Koon Hung
Mr. Andrew Chong Yang Hsueh[1]
Ms. Hera Siu Kitwan[2]

Non-Executive Directors
Mr. Benjamin Loh Gek Lim
Mr. Paulus Antonius Henricus Verhagen

Executive Directors
Mr. Robin Gerard Ng Cher Tat, *Chief Executive Officer of the Group*
Mr. Guenter Walter Lauber, *Chief Strategy Officer and Chief Digitalisation Officer of the Group, and Chief Executive Officer of the Group's SMT Solutions Segment*
Ms. Patricia Chou Pei-Fen, *Chief Financial Officer of the Group*[3]

1 Mr. Andrew Chong Yang Hsueh was appointed as a Director of the Company with effect from 21 July 2022.
2 Ms. Hera Siu Kitwan was appointed as a Director of the Company with effect from 1 August 2022.
3 Ms. Patricia Chou Pei-Fen resigned as a Director of the Company with effect from 1 January 2022.

At the forthcoming annual general meeting to be held on 9 May 2023 (the "2023 AGM"), Mr. Andrew Chong Yang Hsueh and Ms. Hera Siu Kitwan, who were appointed as Directors of the Company after the annual general meeting held on 10 May 2022, are due to retire from the Board in accordance with Article 117 of the Company's Articles of Association. Further, Mr. Robin Gerard Ng Cher Tat and Mr. Guenter Walter Lauber are due to retire from the Board in accordance with Article 113. The retiring Directors, being eligible, will offer themselves for re-election as Directors of the Company.

The biographical details of the Directors as at the date of this report are set out below:

Miss Orasa Livasiri, Independent Non-Executive Director and Chairman of the Company, aged 67, was appointed to the Board as an Independent Non-Executive Director in 1994, and became acting Chairman of the Company on 9 May 2016. She was appointed as Chairman of the Company on 2 March 2017. She was a practising solicitor for more than 30 years and retired from the profession in 2012.

Mr. John Lok Kam Chong, Independent Non-Executive Director, aged 59, was appointed to the Board as an Independent Non-Executive Director on 9 March 2007. Mr. Lok is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has 20 years of experience in financial management and corporate controllership. Mr. Lok started his career as an auditor in an international accounting firm and then moved to work for some major financial information companies, including Moneyline Telerate (Hong Kong) Ltd. and Dow Jones Telerate. He is currently a Director of FHL & Partners CPA Limited. Mr. Lok holds Dual Degrees in Master in Business Administration and Master of Science in Information Technology from The Hong Kong University of Science and Technology.

Mr. Wong Hon Yee, Independent Non-Executive Director, aged 75, was appointed to the Board as an Independent Non-Executive Director on 27 December 2012. Mr. Wong is a chartered engineer and a fellow of the Hong Kong Institution of Engineers. He was the Associate Vice President (Knowledge Transfer) at the City University of Hong Kong prior to his retirement in 2014. Prior to joining City University of Hong Kong, he has been involved in high-tech product design and engineering management in industry for 25 years, over 20 of which were spent at Ampex Ferrotec Ltd., a subsidiary of Ampex Corporation in the USA. He received his Bachelor of Science in Electrical Engineering from the University of Hong Kong in 1969 and Master of Science in Electrical Engineering and Computer Science (EECS) from the University of California, Berkeley in 1971.

DIRECTORS (CONTINUED)

Mr. Eric Tang Koon Hung, Independent Non-Executive Director, aged 77, was appointed as an Independent Non-Executive Director of the Company on 26 April 2013. He was formerly an Independent Non-Executive Director of the Company for the period from 6 September 2004 to 31 January 2007, and an Executive Director and the Chief Financial Officer of the Company for the period from 1 February 2007 to 1 February 2010. Mr. Tang was also appointed as an Independent Non-Executive Director of EGL Holdings Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 06882) on 13 November 2014. Mr. Tang qualified as a Chartered Accountant in Canada and is a member of the Hong Kong Institute of Certified Public Accountants. He has worked in the fields of manufacturing, banking, and public utilities with some major corporations both in Canada and in Hong Kong. Mr. Tang graduated from the University of Toronto, Canada. He holds a Bachelor degree in Industrial Engineering and a Master degree in Business Administration.

Mr. Andrew Chong Yang Hsueh, Independent Non-Executive Director, aged 57, was appointed an Independent Non-Executive Director of the Company on 21 July 2022. He is the Chairman of the Board of Governors of the Institute of Technical Education. He serves on the Board of the Ministry of Manpower's Workforce Singapore Agency and on the Advanced Manufacturing Training Academy Training Council. He currently chairs the Tripartite Judging Panel for SkillsFuture Fellowships and Employer Awards.

Mr. Chong is also on the Board of Mapletree Industrial Trust Management Ltd., the Manager for Mapletree Industrial Trust, a real estate investment trust listed on the Main Board of Singapore Exchange. Additionally, he is the Independent Chairman of the Investment Committees of Mapletree Europe Income Trust and Mapletree US Income Commercial Trust. He serves on the Boards of NTUC Health Co-operative Limited and Employment and Employability Institute Pte. Ltd.. He has held Board and advisory roles in several technology start-up companies.

He stepped down as Regional President and Managing Director of Infineon Technologies Asia Pacific Pte. Ltd. in 2017 after 30 years in the semiconductor industry. He has served on several Singapore government committees, including, the SkillsFuture Council, the Council for Skills, Innovation and Productivity and the Future Economy Council. He continues to serve on the Advanced Manufacturing and Trade subcommittee of the Future Economy Council.

Mr. Chong received his Bachelor of Electrical and Electronics Engineering in 1987 and Master of Business Administration in 1993 from the University of Adelaide in South Australia. He was conferred a Medal of Commendation by the Singapore National Trade Union Congress at the 2017 May Day Awards for promoting good industrial relations and initiating workers' training and skills upgrading programmes, and has co-authored a book on the technological and business trends in the automotive market in Asia.

Ms. Hera Siu Kitwan, Independent Non-Executive Director, aged 63, was appointed an Independent Non-Executive Director of the Company on 1 August 2022. She is currently a non-executive director of The Goodyear Tire & Rubber Company (a company listed on Nasdaq Global Select Market), an independent director of Vallourec SA (a company listed on Listed on Euronext in Paris), and a supervisory board member of TeamViewer AG (a company listed in the Prime Standard of the Frankfurt Stock Exchange). Ms. Siu served as an independent non-executive director of Qingdao AInnovation Technology Group Co., Ltd ("AInnovation") before it was listed on the Hong Kong Stock Exchange. She resigned from AInnovation's board in November 2021.

Ms. Siu was previously the Chief Executive Officer, Greater China, for Cisco Systems, Inc., a leading global technology company, from July 2017 until her retirement on 28 September 2020. Prior to that, she served as Chief Operating Officer, Greater China, of Cisco from November 2016 until June 2017. From February 2014 to June 2016, she served as Senior Vice President and Managing Director, Greater China, for Pearson, LLC, a global education company that leverages technology to enhance teaching and learning. Ms. Siu was employed by SAP, a global software and data processing firm, as Senior Vice President and then President, of China and Hong Kong from April 2010 to June 2013, and as Senior Vice President, e-Commerce, Asia Pacific Region, from July 2013 to January 2014. Ms. Siu holds an MBA in Marketing and a Bachelor of Science in Finance from the University of Nevada, Reno.

DIRECTORS (CONTINUED)

Mr. Benjamin Loh Gek Lim, Non-Executive Director, aged 59, was appointed as a Non-Executive Director of the Company on 19 May 2020. He is the Chief Executive Officer, President and Chairman of the Management Board of ASM International N.V. ("ASM International"). Mr. Loh has a proven background in the high tech industry. From the late nineties until 2005, he worked for Oerlikon Corporation, lastly as Senior Vice President responsible for Asia. After that, he joined Veeco Instruments Inc. where his last position was the Executive Vice President responsible for Global Field Operations. He then moved to FEI Company in 2007 where he held various executive positions and ultimately became its Chief Operating Officer. In 2015, he joined the Swiss-based VAT Vacuum Valves company where, as Group Management Board member, he was responsible for worldwide sales and marketing until late 2017.

Mr. Paulus Antonius Henricus Verhagen (also known as "Mr. Paul Verhagen"), Non-Executive Director, aged 57, was appointed as a Non-Executive Director of the Company on 18 May 2021. He has been a member of the Management Board of ASM International and its Chief Financial Officer with effect from 1 June 2021. He has a proven track record and background in Dutch listed companies and the electronics industry. He had an extensive career within Royal Philips starting in the early nineties and fulfilled numerous executive positions in the Netherlands, the USA, Hong Kong and China until 2013. His last two assignments at Royal Philips from 2007 until 2013 were as Executive Vice President and Chief Financial Officer of Philips Consumer Lifestyle, and Executive Vice President and Chief Financial Officer of Philips Lighting. Since 2014, he has been the Chief Financial Officer and a member of the Management Board of the Dutch stock market listed company Fugro N.V. until he stepped down at the end of the annual general meeting of Fugro N.V. on 22 April 2021. Mr. Verhagen is a Dutch national and holds a master in Business Administration and a post graduate degree as Chartered Controller.

Mr. Robin Gerard Ng Cher Tat, Executive Director, aged 59, was appointed the Chief Executive Officer of the Group on 12 May 2020. He has been on the Board as an Executive Director since 28 April 2011. He was the Group Chief Financial Officer from 1 February 2010 until his appointment as the Group Chief Executive Officer. Mr. Ng holds a Bachelor of Accountancy from the National University of Singapore and a Master of Laws (Commercial Law) from the University of Derby, the United Kingdom. Mr. Ng has more than 30 years of experience in finance, audit and accounting. He is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.

Mr. Guenter Walter Lauber, Executive Director, aged 61, was appointed as an Executive Director of the Company on 12 May 2020. He is also an Executive Vice President, Chief Strategy Officer and Chief Digitalisation Officer of the Group and Chief Executive Officer of the Group's SMT Solutions Segment. Mr. Lauber has over 20 years of working experience in the SMT equipment industry. In 2007, Mr. Lauber took charge of the SMT business that was subsequently acquired by the Group in 2011. He joined the Group following the acquisition. He has a degree in Electrical Engineering (Dipl-Ing. FH) from the Fachhochschule Augsburg (Augsburg University of Applied Sciences), Germany.

SENIOR MANAGEMENT

As at the date of this report, the Group's senior management team includes, other than the Executive Directors, the following persons. Their biographical details are as follows:

Mr. Wong Yam Mo, aged 63, is an Executive Vice President and Chief Technical Officer of the Group. He joined the Group in 1983. Mr. Wong has a Bachelor of Science degree in Mechanical Engineering and a Master's degree in Industrial Engineering, both from the University of Hong Kong. He also holds a Master's degree in Precision Engineering from the Nanyang Technological University, Singapore.

Mr. Lim Choon Khoon, aged 63, is a Senior Vice President of the Group, Co-Chief Executive Officer of the Semiconduction Solutions Segment and Chief Executive Officer of the Group's ICD & CIS Business Group in the Semiconductor Solutions Segment. Mr. Lim started his career with US semiconductor companies in engineering and manufacturing roles before joining the Group in Malaysia and was posted to Hong Kong and Singapore where he spend most of his career with the Group, interjected by a decade away in Philips in various global management roles. Mr. Lim re-joined the Group in July 2006 with increasing responsibilities over time, which culminated. He holds a Bachelor of Science (Honours) in Production Engineering and Production Management from the University of Nottingham, UK.

Mr. Joseph Poh Tson Cheong, aged 55, is a Senior Vice President of the Group, Co-Chief Executive Officer of the Semiconduction Solutions Segment and Chief Executive Officer of the Group's Opto & Display Business Unit in the Semiconductor Solutions Segment. He joined the Group in 1991 as a Service Engineer and was promoted to the Senior Vice President position in January 2016. Mr. Poh graduated from The University of Sydney, Australia in 1989 with a Degree in Mechanical Engineering. He received a Master's Degree in Engineering Business Management from the University of Warwick, England in 1999. For the past 31 years that he has been with the Group, he has held various positions in its IC, CIS, SMT Solutions and Opto Business Units.

Mr. Kong Choon, Jupiter, aged 54, is Group General Counsel and Company Secretary of the Company. In particular, he oversees the Group's legal, company secretarial, intellectual property and compliance functions, and is also the company secretary of the Company's subsidiaries in Singapore and certain other countries. He joined the Group in August 2001. Mr. Kong graduated from the University of London with a bachelor of laws degree and qualified as a Barrister-at-Law (Middle Temple) of England and Wales. He is an Advocate and Solicitor of the Supreme Court of Singapore, an associate member of the Singapore Association of the Institute of Chartered Secretaries and Administrators, as well as a registered Singapore Patent Agent. Prior to joining the Group, Mr. Kong was in legal practice at a leading Singapore law firm.

Ms. Xu Yifan, Katie, aged 49, is a Senior Vice President and Chief Financial Officer of the Group. Ms. Xu holds a Bachelor of Economics, International Business Administration degree from the University of International Business and Economics in China, and a Master of Business Administration, Finance degree from the Thunderbird School of Global Management in the USA. Ms. Xu has 25 years of experience as a finance professional, with roles in both Finance and Investor Relations across technology, industrial and human capital services industries.

Ms. Pua Gim Wee, aged 55, is Senior Vice President and Chief People Officer of the Group. She leads the Group's Global Human Resources Strategy. Ms. Pua holds a Bachelor of Science degree from the National University of Singapore majoring in Mathematics and Economics, and a MBA from the University of Adelaide. She has nearly 30 years of broad and diverse human resource experiences at country, regional and global levels spanning various industries including FMCG, Financial, Food and Beverage, IT and Automation. During her career, she has held varied roles overseeing transformation and change activities, and helped organisations build talent and culture, develop leaders, and improve on HR effectiveness and efficiency. She has also worked abroad in Europe and taken a stint in Sales and Development role.

EMPLOYEE SHARE INCENTIVE SCHEME

The Company has adopted the Scheme for the benefit of the Group's employees and members of management. The specific objectives of the Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Scheme was approved by the shareholders of the Company at the Company's annual general meeting held on 7 May 2019 (the "2019 AGM"), and adopted by the Company on 24 March 2020 (the "Adoption Date"). Under the Scheme, the shares of the Company may be allocated or awarded to employees or directors of the Group as selected by the Board. The Scheme will be valid and effective for a period of ten years commencing from the Adoption Date.

Pursuant to the Scheme, the Board may from time to time cause the Trustee to be paid certain amounts for (i) subscription of new shares of the Company for selected employees who are not connected persons of the Company and/or (ii) purchase of existing shares of the Company at the prevailing market price for selected employees who are connected persons of the Company, and the Trustee will hold the shares on trust for award to the selected employees under the Scheme upon vesting. The Trustee shall not exercise the voting rights in respect of any shares held under the trust of the Scheme.

The Board shall have absolute discretion to determine any vesting conditions as it sees fit, and to specify the date on which the shares shall vest in selected employees. On the vesting date, if the vesting conditions are fulfilled, the Trustee shall vest the relevant shares in the selected employees. Any shares not vested on the vesting date shall become returned shares for the purposes of the Scheme.

The Company may issue and allot new shares from time to time to selected employees who are not connected persons of the Company during the term of the Scheme, up to a total of 40,667,133 shares (being 10% of the number of shares in issue as at the date of approval of the scheme mandate at the 2019 AGM), provided that no more than 2% of the number of shares in issue at the commencement of a calendar year may be subscribed for pursuant to the Scheme in each calendar year. As at the date of this report, the total number of shares available for issue under the Scheme is 33,188,633 shares, representing 8.05% of the number of shares in issue. The maximum number of shares which may be awarded to a Selected Employee under the Scheme shall in no circumstances exceed more than 10% of the aggregate number of shares subscribed for or purchased thereunder for the benefit of all Selected Employees. No purchase price is payable for the shares awarded pursuant to the Scheme.

During the year ended 31 December 2022, (i) 2,633,700 new shares were issued for the selected employees who were not connected persons of the Company, and (ii) 429,700 existing shares of the Company were purchased at the prevailing market price for the selected employees who were connected persons of the Company, including the two Executive Directors of the Company as at 31 December 2022, namely, Mr. Robin Gerard Ng Cher Tat and Mr. Guenter Walter Lauber. As at 31 December 2022, there were 1,600 shares held under in trust under the Scheme (excluding shares vested but not yet transferred to awardees).

In connection with the year ending 31 December 2023, the total number of shares in issue on 1 January 2023 was 412,871,633 shares, the maximum aggregate number of shares that may be subscribed for by the Trustee pursuant to the Scheme for the aforesaid year (being 2% of the total number of shares in issue at the commencement of the financial year) is therefore 8,257,432 shares. Assuming that the said 8,257,432 shares are subscribed in full and granted to selected employees on the date of this report, there will be a dilution effect on the shareholdings of the shareholders of 2%.

Assuming that the expected dividends during the year ending 31 December 2023 are the same as the dividends paid during the year ended 31 December 2022, employee costs estimated to be up to HK$520,218,216 (being the fair value of the shares issued, i.e. the closing price of the shares on the date of grant (assuming the closing price to be as at the date of this report) less expected dividends during the vesting periods multiplied by the maximum number of shares that may be issued) will be incurred for the year ending 31 December 2023.

EMPLOYEE SHARE INCENTIVE SCHEME (CONTINUED)

Details of the shares awarded in 2022

	No. of issued shares							
	Unvested as at 1 January 2022	Date of Award	Closing price immediately before the date of award	Awarded during the year	Lapsed during the year	Vested during the year	Unvested as at 31 December 2022	Vesting period
Executive Directors								
• Robin Gerard Ng Cher Tat	—	15 March 2022	HK$77.85 (14 March 2022)	151,500	—	151,500	—	15 March to 15 December 2022
• Guenter Walter Lauber	—	15 March 2022	HK$77.85 (14 March 2022)	57,400	—	57,400	—	15 March to 15 December 2022
Other Selected Employees	—	15 March 2022	HK$77.85 (14 March 2022)	2,939,700	76,500	2,863,200	—	15 March to 15 December 2022

Further details of the Scheme are set out in note 35 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SHARES

Details of the interests of the Directors and chief executives of the Company and their associates in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2022 as recorded in the register that is kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions

Shares of HK$0.10 each of the Company:

Name of director	Capacity	Number of shares held	Percentage of shareholding in the Company
Robin Gerard Ng Cher Tat	Beneficial owner	475,800	0.12%
Guenter Walter Lauber	Beneficial owner	133,600	0.03%

Save as disclosed above, as at 31 December 2022, none of the Directors, chief executives of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than those rights described under the section headed "Employee Share Incentive Scheme", none of the Directors or chief executives or their spouses or children under the age of 18 had any right to subscribe for shares in the Company or had exercised any such right during the year. At no time during the year was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2022, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests or short positions in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Long positions	
Name of shareholder	Capacity	Number of shares held	Percentage of shareholding in the Company *(Note 6)*
ASM International N.V.	Interest of a controlled corporation	103,003,000 (L) *(Note 2)*	24.95%(L)
ASM Pacific Holding B.V.	Beneficial owner	103,003,000 (L) *(Note 2)*	24.95%(L)
FIL Limited	Interest of controlled corporations	41,208,068 (L) *(Note 3)*	9.98%(L)
Pandanus Associates Inc.	Interest of a controlled corporation	41,208,068 (L) *(Note 3)*	9.98%(L)
Pandanus Partners L.P.	Interest of a controlled corporation	41,208,068 (L) *(Note 3)*	9.98%(L)
Brown Brothers Harriman & Co.	Agent	33,311,181 (L) *(Note 4)*	8.07%(L)
		33,311,181 (P)	8.07%(P)
Fidelity Funds	Beneficial owner	28,758,600 (L)	6.97%(L)
Schroders Plc	Investment manager	24,130,149 (L) *(Note 5)*	5.84%(L)

Notes:

1. (L) — Long Position, (P) — Lending Pool

2. ASM International N.V. was deemed to be interested in 103,003,000 shares, through the shares held by its wholly owned subsidiary, ASM Pacific Holding B.V.. Thus, their respective shareholdings represented the same block of shares.

3. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., which in turn holds as to 37.01% shareholding interest in FIL Limited. FIL Limited was deemed to be interested in these 41,208,068 shares of the Company through a series of subsidiaries. Accordingly, Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited were deemed to be interested in these shares pursuant to the SFO.

4. Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed by Brown Brothers Harriman & Co. on 14 July 2022, Brown Brothers Harriman & Co. was deemed to be interested in 33,311,181 shares (L) and 33,311,181 shares (P).

5. The long position of 24,130,149 shares held by Schroders Plc included derivative interests in 161,100 underlying shares of the Company derived from unlisted and cash settled derivatives.

6. The percentages of shareholding in this table were computed based on the number of issued shares of the Company as at 31 December 2022, being 412,871,633 shares.

Save as disclosed above, as at 31 December 2022, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person who had any interest or short position in the shares or underlying shares of the Company.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No connected transaction (defined under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) has been entered into by the Group during the year. None of the related party transactions as disclosed in note 46 to the consolidated financial statements constituted a discloseable connected transaction as defined under Chapter 14A of the Listing Rules.

Save as disclosed above, no transactions, arrangements or contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No Director of the Company has a service contract with any company in the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the management with reference to the employees' merit, qualifications and competence.

The emoluments of the Directors and the senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company currently has an Employee Share Incentive Scheme as an incentive to Directors and eligible employees, details of which are set out in note 35 to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the Company's Articles of Association, every director shall be indemnified out of the funds of the Company against all liability incurred by him/her as such director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the five largest customers of the Group were less than 30% of the Group's revenue for the year under review.

The aggregate purchases attributable to the five largest suppliers of the Group were less than 30% of the Group's purchases for the year under review.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$2,366,000.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.

AUDITOR

A resolution will be submitted to the 2023 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Robin Gerard Ng Cher Tat
Director

28 February 2023

CORPORATE GOVERNANCE REPORT

The Group strives to attain and maintain high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. In addition, the Group is also committed to continuously improving its corporate governance practices.

ASMPT CULTURE

The Company is committed to developing a positive and progressive culture that is built on its Vision, Mission and Values, which serve as a guiding principle for its operations and decision-making processes. They provide a supportive environment for employees across the Group to excel and reach their full potential, and the Company to achieve sustained success and fulfil its duties as a responsible corporate citizen. The initiatives taken by the Company in 2022 to reinforce and enhance its positive corporate culture are set out in the Management Discussion and Analysis and the Corporate Governance sections of this Annual Report and the 2022 ESG Report. More information about the Company's Vision, Mission and Values is available on the Company's website (https://www.asmpt.com/en/company/about-asmpt/vision-mission/). All directors act with integrity, lead by example, and promote the Company's culture.

CORPORATE GOVERNANCE PRACTICES

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 year ended 31 December 2022.

The manner in which the principles and code provisions in the CG Code are applied and implemented are explained as follows:

THE BOARD

Board Composition

As at 31 December 2022, the Company has ten Directors, two of whom are female. The majority of Board members are Non-Executive Directors. They bring to the Board a wide range of professional experience in the business, financial, legal, technical and industrial fields, which contribute to the effective direction of the Group. Members of the Board comprised nationals from Singapore, Hong Kong, Thailand, Germany, the Netherlands and Australia. The Board considers its current composition to have achieved good diversity in terms of gender, cultural, educational background and professional experience.

THE BOARD (CONTINUED)

Board Composition (Continued)

The Board composition of the Company as at 31 December 2022 is set out below:

Director \ Board Committee	Audit Committee	Nomination Committee	Remuneration Committee
Independent Non-Executive Directors			
Orasa Livasiri (Chairman of the Board)	M	C	M
John Lok Kam Chong	C	M	M
Wong Hon Yee	—	M	C
Eric Tang Koon Hung	M	M	M
Andrew Chong Yang Hsueh	—	M	—
Hera Siu Kitwan	M	—	—
Non-Executive Directors			
Benjamin Loh Gek Lim	—	M	M
Paulus Antonius Henricus Verhagen	M	—	—
Executive Directors			
Robin Gerard Ng Cher Tat (Chief Executive Officer)	—	—	—
Guenter Walter Lauber (Chief Strategy Officer and Chief Digitalisation Officer of the Group, and Chief Executive Officer of the Group's SMT Solutions Segment)	—	—	—

Notes:

C — Chairman of the relevant Board committees
M — Member of the relevant Board committees

During the year ended 31 December 2022 and up to the date of this report, the changes to the composition of the Board were as follows:

- Ms. Patricia Chou Pei-Fen resigned as the Chief Financial Officer of the Group and an Executive Director with effect from 1 January 2022.
- Mr. Andrew Chong Yang Hsueh was appointed as an Independent Non-Executive Director and a member of the Nomination Committee with effect from 21 July 2022.
- Ms. Hera Siu Kitwan was appointed as an Independent Non-Executive Director and a member of the Audit Committee with effect from 1 August 2022.

None of the members of the Board are related to one another.

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one Independent Non-Executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Currently, there are two Independent Non-Executive Directors on the Board meeting the said requirements who are also members of the Board's Audit Committee. The Company has complied with and in fact exceeded the Listing Rules requirement of the Independent Non-Executive Directors representing at least one-third of the Board.

THE BOARD (CONTINUED)

Board Composition (Continued)

The Company has received written annual confirmation from each Independent Non-Executive Director of his or her independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules, including Miss Orasa Livasiri, Mr. John Lok Kam Chong, Mr. Wong Hon Yee and Mr. Eric Tang Koon Hung (the "Long-serving Directors") who have served as Independent Non-Executive Directors for more than nine years as of the date of this report. Their respective lengths of tenure up to the date of this report are set out below:

	Date of Appointment as an Independent Non-Executive Director	Length of Tenure
Orasa Livasiri *(Chairman)*	20 April 1994	28 years
John Lok Kam Chong	9 March 2007	15 years
Wong Hon Yee	27 December 2012	10 years
Eric Tang Koon Hung	26 April 2013	9 years

All of the Long-serving Directors have not engaged in executive management of the Group. With their extensive experience and professional knowledge in their respective legal, technical, financial management and corporate controllership fields, they have expressed objective views and given independent guidance to the Company over the years, and continue to demonstrate a firm commitment to their roles. In view of above, the Directors consider that the long services of the Long-serving Directors would not affect their exercise of independent judgment and they remain independent. The Board is satisfied that all of them have the required character, integrity and experience to continue fulfilling the role of independent non-executive directors.

Policy on Independence of Directors

The Board adopted a Policy on Independence of Directors as mechanisms to ensure that independent views and input are available to the Board.

According to the policy, a Director will not be considered independent if such Director or the Director's immediate family member:

(1) holds more than 1% of the number of issued shares of the Company;

(2) has received an interest in any securities of the Company as a gift, or by means of other financial assistance, from a core connected person or the Company itself;

(3) is or was a director, partner or principal of a professional adviser which currently provides or has within two years immediately prior to the assessment of the Director's independence by the Nomination Committee (the "Independence Assessment") provided services, or is or was an employee of such professional adviser who is or has been involved in providing such services during the same period to:

    (a) the Company or any of its subsidiaries or core connected persons; or

    (b) any person who was the chief executive or a director (other than an independent non-executive director) of the Company within two years prior to the Independence Assessment, or any of their close associates;

(4) currently, or within one year immediately prior to the Independence Assessment, has or had a material interest in any principal business activity of or is or was involved in any material business dealings with the Company or its subsidiaries or with any core connected persons of the Company;

THE BOARD (CONTINUED)

Policy on Independence of Directors (Continued)

(5) is on the board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders as a whole;

(6) is or was connected with a director, the chief executive or a substantial shareholder of the Company within two years immediately prior to the date of the Director's proposed appointment;

(7) is, or has at any time during the two years immediately prior to the Independence Assessment been, an executive or director (other than an independent non-executive director) of the Company or of any of its subsidiaries or of any core connected persons of the Company; or

(8) is financially dependent on the Company or any of its subsidiaries or core connected persons of the Company.

The Board will review the Policy on Independence of Directors on an annual basis to ensure its continued effectiveness.

Board Diversity Policy

The Board adopted a Board Diversity Policy including the following Board Diversity Statement:

"At ASMPT, we recognise that there is strength in diversity. We acknowledge and respect this diversity across our employees around the world in terms of heritage and culture, gender, sexual orientation, physical ability, neurodiversity, marital status, and age. We recognise that a diverse and inclusive workforce makes for a stronger organisation and it has been an essential factor contributing to ASMPT's success.

ASMPT is committed to maintaining the highest standards of corporate governance, and firmly believes in a fair and tolerant working environment. Diversity and equality of opportunity are encouraged throughout our global workforce, including in the composition of ASMPT's Board.

ASMPT ensures that its Board has the appropriate balance of skills, experience, and diversity of perspectives required to be effective and to support the execution of its business strategy.

Board appointments will continue to be made based on merit and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board believes that such merit-based appointments will best enable ASMPT to serve its shareholders and other stakeholders.

Within the Board, the Nomination Committee has primary responsibility for identifying suitably qualified candidates to become Board members. In carrying out this responsibility, the Nomination Committee will consider the content and spirit of this Board Diversity Statement. The Board will also review this Statement on a regular basis to ensure its continued relevance and effectiveness, factoring both evolving societal perspectives on diversity and the needs of the company as well."

The Board will review the Board Diversity Policy and the Board Diversity Statement on an annual basis to ensure its continued effectiveness.

Gender Diversity

During 2022, one new female Independent Non-Executive Director joined the Board, bringing the female representation to 20% of the Board. The Board targets to achieve at least 25% female representation on the Board by 2025. In considering the Board's succession, independent professional search firm(s) would be engaged to help identify potential candidates for Non-executive Directors, as and when appropriate. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. Further details on the gender ratio of the Group and initiatives taken to improve gender diversity across senior management and the wider workforce, together with relevant data, can be found in the 2022 ESG Report of the Company.

THE BOARD (CONTINUED)

Corporate Governance Functions

The Board is responsible for performing its corporate governance duties in accordance with its written terms of reference as set out below. It may delegate the responsibilities to one or more committees, which shall comply with the following terms of reference with regard to such duties.

- To provide independent, effective leadership to supervise the management of the Company's business and affairs to grow value responsibly, in a profitable and sustainable manner, and in the best interests of its shareholders.
- To develop and review the Company's policies and practices on corporate governance.
- To review and monitor the training and continuous professional development of Directors and senior management.
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors.
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.
- To appoint any other committees that the Board decides are needed and delegate to those committees any appropriate powers of the Board.
- To retain, oversee, compensate and determine the engagements of independent advisors to assist the Board in its activities.

During the year ended 31 December 2022, the Board has (i) reviewed the Company's policies and practices regularly to ensure compliance with legal and regulatory requirements; (ii) reviewed and monitored the training and continuous professional development of Directors; and (iii) reviewed compliance with the CG Code.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. During the year ended 31 December 2022, the position of Chairman was held by Miss Orasa Livasiri, while the position of Chief Executive Officer was held by Mr. Robin Gerard Ng Cher Tat. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. With the support of the senior management, the Chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer, supported by the Group's senior management, is responsible for managing the Group's business, including the implementation of objectives, policies and major strategies and initiatives adopted by the Board.

THE BOARD (CONTINUED)

Appointment and Re-election of Directors

In accordance with the Company's Articles of Association, each Director elected by the Company at general meetings shall retire at the third annual general meeting following his election. The Director retiring shall be eligible for re-election at, and shall retain office until the close of, the general meeting at which he retires. Any person appointed as a Director by the Board either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting.

As the 2023 AGM is the third annual general meeting following the last elections of Mr. Robin Gerard Ng Cher Tat and Mr. Guenter Walter Lauber, they are due to retire from the Board in accordance with the Company's Articles of Association. Mr. Andrew Chong Yang Hsueh and Ms. Hera Siu Kitwan, who were appointed as Directors of the Company after the 2022 AGM, are also due to retire from the Board. The retiring Directors, being eligible, will offer themselves for re-election as Directors of the Company at the 2023 AGM.

Nomination Committee

As at 31 December 2022, the Nomination Committee comprises six members, five of whom are Independent Non-Executive Directors, namely, Miss Orasa Livasiri who is the Chairman of the Committee, Mr. John Lok Kam Chong, Mr. Wong Hon Yee, Mr. Eric Tang Koon Hung and Mr. Andrew Chong Yang Hsueh, and one Non-Executive Director, Mr. Benjamin Loh Gek Lim.

The role of the Nomination Committee is to assist the Board of Directors in: (i) identifying individuals qualified to become Board members and recommending that the Board select a group of director nominees for the next annual general meeting; and (ii) ensuring that the Audit Committee, Nomination Committee and Remuneration Committee of the Board shall have the benefit of qualified and experienced Independent Non-Executive Directors.

The major duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To assess the independence of Independent Non-Executive Directors.
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the Chief Executive Officer, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board.
- To recommend Directors who are retiring to be put forward for re-election.
- To decide whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he/she has multiple board representations.

THE BOARD (CONTINUED)

Nomination Committee (Continued)

The Nomination Committee held one meeting during the year ended 31 December 2022 and the attendance record is set out under "Directors' attendance records" on page 42. The following is a summary of the tasks completed by the Nomination Committee during 2022:

- reviewed the structure, size and composition of the Board and its committees;
- identified potential candidates for directorship for recommendation to the Board;
- recommended the retiring Directors for re-election at the annual general meeting;
- reviewed and assessed the independence of the Independent Non-Executive Directors; and
- reviewed succession planning for Directors, in particular, for the Chairman and the Chief Executive Officer.

Nomination Policy

The Company has formally adopted a Nomination Policy which sets out the criteria and procedures for the Nomination Committee to identify, evaluate and recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Selection Criteria

The Nomination Committee will propose a candidate for nomination or a Director for re-election based on merit, including but not limited to the following considerations:

- The candidate's skills, knowledge and experience which are relevant to the operations of the Company and its subsidiaries.
- The Company's Board Diversity Policy, the balance of skills and experience in the composition of the Board and the requirements under the Listing Rules.
- The ability of the candidate or the re-elected Director to commit and devote sufficient time and attention to the Company's affairs.
- The candidate's character, experience and integrity, and ability to demonstrate a standard of competence commensurate with the position of a director of the Company.

Nomination Process and Procedures

For appointment of a new Director, the nomination process and procedures are:

- The Nomination Committee, with or without assistance from the Company's Human Resources Department and external agencies, identifies candidates in accordance with the selection criteria set out in the Nomination Policy.
- The Nomination Committee evaluates candidates and recommends to the Board the appointment of appropriate candidates for directorship.
- The Board decides on the appointment based upon the recommendation of the Nomination Committee.
- The letter of appointment, or the key terms and conditions of the appointment, should be approved by the Remuneration Committee.
- The Company Secretary or a delegate designated by the Company Secretary shall ensure that all disclosure obligations under the Listing Rules regarding the said appointment or re-election are duly complied with.

THE BOARD (CONTINUED)

Nomination Policy (Continued)

Nomination Process and Procedures (Continued)

For re-election of a Director, the nomination process and procedures are:

- The Nomination Committee reviews the overall contribution of the retiring Director to the Company.
- The Nomination Committee also reviews and determines whether the retiring Director continues to meet the selection criteria set out in the Nomination Policy.
- The Nomination Committee shall make its recommendation to the Board, which shall in turn decide whether to recommend the proposed re-election of the Director to the Company's shareholders at a general meeting.

For the nomination of a new Director by shareholders, please refer to the procedures for shareholders to propose a person for election as a Director on the Company's website (www.asmpt.com). For any person who is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the selection criteria set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee shall make its recommendation to the Board, which shall in turn decide whether to recommend such person to be elected as a Director at a general meeting.

Induction and continuing development for Directors

Each newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the business and operations of the Company and is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are given updates on legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development for Directors will be arranged whenever necessary.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors.

The Directors are committed to complying with Code Provision C.1.4 of the CG Code on Directors' training. All the Directors have participated in continuous professional development to develop and refresh their knowledge and skills and have provided a record of training they received for the year ended 31 December 2022 to the Company.

THE BOARD (CONTINUED)

Induction and continuing development for Directors (Continued)

The individual training received by each current Director during the year ended 31 December 2022 is summarised below:

Directors	Reading Regulatory Updates	Attending briefings/ seminars/ conferences relevant to the business	Attending training/briefing on regulatory development, directors' duties or other relevant topics
Independent Non-Executive Directors			
Orasa Livasiri	√	√	√
John Lok Kam Chong	√	√	√
Wong Hon Yee	√	√	√
Eric Tang Koon Hung	√	√	√
Andrew Chong Yang Hsueh	√	√	√
Hera Siu Kitwan	√	√	√
Non-Executive Directors			
Benjamin Loh Gek Lim	√	√	√
Paulus Antonius Henricus Verhagen	√	√	√
Executive Directors			
Robin Gerard Ng Cher Tat	√	√	√
Guenter Walter Lauber	√	√	√

Board meetings

Board practices and conduct of meetings

Notices of regular Board meetings are served on all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner before each Board or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

Minutes of all Board meetings (including those of Committee meetings) are kept by the Company Secretary. Draft minutes are normally circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates have a material interest.

THE BOARD (CONTINUED)

Board meetings (Continued)

Directors' attendance records

Seven Board meetings were held during the year. The Chairman also held a meeting with the Independent Non-Executive Directors, in the absence of other Directors, to consider issues in an informal setting.

The individual attendance (either in person or through other electronic means of communication) record of each Director at the meetings of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the 2022 AGM, during the year ended 31 December 2022 is set out below:

		Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	2022 AGM
Number of Meetings		7	4	1	3	1
Directors		**Attendance/Number of Meetings held during the tenure of directorship**				
Independent Non-Executive Directors						
Orasa Livasiri		7/7	4/4	1/1	3/3	1/1
John Lok Kam Chong		7/7	4/4	1/1	3/3	1/1
Wong Hon Yee		7/7	N/A	1/1	3/3	1/1
Eric Tang Koon Hung		7/7	4/4	1/1	3/3	1/1
Andrew Chong Yang Hsueh	(appointed as an Independent Non-Executive Director and a member of Nomination Committee on 21 July 2022)	3/3	N/A	0/0	N/A	N/A
Hera Siu Kitwan	(appointed as an Independent Non-Executive Director and a member of Audit Committee on 1 August 2022)	3/3	1/1	N/A	N/A	N/A
Non-Executive Directors						
Benjamin Loh Gek Lim		6/7	N/A	1/1	2/3	1/1
Paulus Antonius Henricus Verhagen		7/7	4/4	N/A	N/A	1/1
Executive Directors						
Robin Gerard Ng Cher Tat		7/7	N/A	N/A	N/A	1/1
Guenter Walter Lauber		7/7	N/A	N/A	N/A	1/1

Note: The Company's internal auditors participated in every Audit Committee Meeting during the year. The Company's external auditor participated in three out of four of the Audit Committee Meetings during the year, and also attended the 2022 AGM.

Model code for securities transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all Directors, and all of the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2022.

The Company has also established written guidelines on no less exacting terms than the Model Code for securities transactions by employees (the "Employees Written Guidelines") who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

THE BOARD (CONTINUED)

Company Secretary

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs. He was appointed by the Board in May 2019. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors may call upon him for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

During the year, the Company Secretary complied with Rule 3.29 of the Listing Rules and has taken no less than 15 hours of relevant professional training.

DELEGATION OF MANAGEMENT FUNCTIONS

The Company has formalised and adopted written terms on the division of functions reserved to the Board and delegated to the management.

The Board reserves for its decisions all major matters of the Company, including: objectives and overall strategies of the Company; annual budgets and financial matters; internal control and risk management systems; equity related transactions such as issue of shares/options, repurchase of shares, dividend, raising of capital loan; determination of major business strategy; merger and acquisition (save for the delegation of authority to the Company's management to deal with small merger and acquisition opportunities as disclosed hereinafter); disposal of business unit; major investment; annual financial budget in revenue, profitability and capital expenditure; review and approval of financial performance and announcements; and matters as required by laws and regulations.

All the Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making a request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has approved a delegation of authority to the Company's management to deal with small merger and acquisition opportunities, subject to an annual cap by transaction value in aggregate that the Company deemed fit for its business and growth strategies. The annual cap by transaction value in aggregate will be reviewed by the Board annually.

The management provides to all members of the Board monthly performance updates giving information on the Group's latest financial performance and financial position, the status of the Group's order book and the performance of individual operating segments and other relevant information. Directors can therefore have a balanced and understandable assessment of the Group's performance, position and prospects throughout the year.

During the year ended 31 December 2022, the Board had three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website (www.asmpt.com) and the HKEXnews website (www.hkexnews.hk) and are available to shareholders upon request.

The Board's committees are provided with sufficient resources to discharge their duties.

REMUNERATION OF DIRECTORS

The Company has established a formal and transparent procedure for formulating policies on the remuneration of the Executive Directors of the Company. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2022 are set out on pages 108 to 109 in note 13 to the consolidated financial statements. With effect from 1 January 2022, the remuneration payable to the Independent Non-Executive Directors and Non-Executive Directors are as follows:

Fee payable to:	Per annum
Chairman of the Board	HK$375,000
Non-Executive Director or Independent Non-Executive Director (other than the Chairman of the Board)	HK$250,000
Chairman of the Audit Committee	HK$150,000
Member of the Audit Committee (other than the Chairman of the Audit Committee)	HK$100,000
Chairman of the Remuneration Committee	HK$112,500
Member of the Remuneration Committee (other than the Chairman of the Remuneration Committee)	HK$75,000
Chairman of the Nomination Committee	HK$112,500
Member of the Nomination Committee (other than the Chairman of the Nomination Committee)	HK$75,000

	Per meeting
Meeting attendance fee	
• Board meeting and general meeting	HK$5,000
• Committee meeting	HK$2,500
Overseas Travel Allowance	
• Board meeting and general meeting	HK$5,000
• Committee meeting	HK$2,500

Remuneration Committee

The Remuneration Committee has five members as at 31 December 2022. Mr. Wong Hon Yee, an Independent Non-Executive Director, is the Chairman. A Non-Executive Director, Mr. Benjamin Loh Gek Lim, and three Independent Non-Executive Directors, Miss Orasa Livasiri, Mr. John Lok Kam Chong and Mr. Eric Tang Koon Hung, are the other four members of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations on the remuneration policy and structure and remuneration packages of the Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

REMUNERATION OF DIRECTORS (CONTINUED)

Remuneration Committee (Continued)

The Remuneration Committee has adopted a model wherein it determines, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Remuneration Committee will also review and approve performance-based remuneration by reference to corporate goals and objectives.

The main duties of the Remuneration Committee are as follows:

- To review and approve the performance-based remuneration of individual executive directors and senior management by reference to the corporate goals and objectives of the Company.

- On an annual basis, to review and approve the specific remuneration of the Chief Executive Officer including but not limited to basic salary, performance based discretionary bonus and the award of incentive shares.

- On an annual basis, to review and approve the recommendations made by the Chief Executive Officer for the remuneration of other Executive Directors and senior management, which includes their basic salary, performance based discretionary bonus and the award of incentive shares.

- To review and approve the compensation payable to the Executive Directors and senior management for any loss of or termination of office or appointment, to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

- To review and approve compensation arrangements relating to the dismissal or removal of Directors for misconduct, to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

- To make recommendations to the Board on the remuneration of Non-Executive Directors and Independent Non-Executive Directors.

- To take into account the salaries paid by comparable companies, time commitments, responsibilities and employment conditions elsewhere in the ASMPT group when determining the remuneration of an individual.

- To review and/or approve matters relating to share schemes of the Company under Chapter 17 of the Listing Rules.

REMUNERATION OF DIRECTORS (CONTINUED)

Remuneration Committee (Continued)

The Remuneration Committee held three meetings during the year ended 31 December 2022 and the attendance records are set out under "Directors' attendance records" on page 42. The following is a summary of the tasks completed by the Remuneration Committee during 2022:

- received a report regarding the Executive Remuneration Benchmark from a consulting company specialising in international salary benchmarking, and reviewed the remuneration policy and structure of the Company and the remuneration packages of the Executive Directors and senior management for the year under review;
- consulted the Chairman and/or the Chief Executive Officer of the Company about their recommendations on remuneration policy and packages of the Executive Directors and senior management;
- determined the performance based discretionary bonus and bonus shares allocation for the Executive Directors and the senior management, taking into account their individual performance and market benchmarking information;
- considered and recommended to the Board the remuneration packages of the Company's newly appointed Independent Non-Executive Directors; and
- reviewed and approved the key terms and conditions of the newly appointed member of the senior management.

Details of the annual remuneration of members of the senior management (including Executive Directors) by band for the year ended 31 December 2022 are as follows:

	Number of employees
HK$3,500,001 to HK$4,000,000	1
HK$4,000,001 to HK$4,500,000	2
HK$5,500,001 to HK$6,000,000	1
HK$7,000,001 to HK$7,500,000	2
HK$9,000,001 to HK$9,500,000	2
HK$17,500,001 to HK$18,000,000	1

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Directors' responsibilities for financial reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The management provides such explanations and information to the Board that would enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT (CONTINUED)

Internal controls

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Group.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard the assets of the Group.

The Group Internal Audit Department, which is independent of the Company's management, provides objective assurance and consulting services to the Company by bringing a disciplined systematic approach to evaluate and improve the effectiveness and efficiency of risk management, internal control and governance processes and the integrity of the operations. The Department is accountable to the Audit Committee of the Company and has unrestricted access to information that allows it to perform its functions. It conducts audits on financial, operational and compliance controls, and effectiveness of risk management functions of all business and functional units as well as subsidiaries. Management is responsible for ensuring that control deficiencies highlighted in internal audits are rectified within a reasonable period. The Department produces an annual internal audit plan derived from risk assessment for the Audit Committee's review. On a quarterly basis, the head of the Group Internal Audit Department reports to the Audit Committee her audit findings and her opinions on the system of internal controls. The Audit Committee was satisfied with the existing controls.

The Company has established a whistleblowing procedure and system for employees to raise concerns, in confidence, to the Audit Committee about possible improprieties, such as those relating to fraud, bribery and financial irregularities, concerning the Company.

Audit Committee

The Audit Committee comprises four Independent Non-Executive Directors (including two Independent Non-Executive Directors who possess the appropriate professional qualifications or accounting or related financial management expertise) and one Non-Executive Director as at 31 December 2022. Mr. John Lok Kam Chong, Independent Non-Executive Director, is the Chairman of the Audit Committee. Other members are three Independent Non-Executive Directors, Miss Orasa Livasiri, Mr. Eric Tang Koon Hung and Ms. Hera Siu Kitwan and a Non-Executive Director, Mr. Paulus Antonius Henricus Verhagen. None of the members of the Audit Committee are former partners of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal auditor or external auditor before submission to the Board.

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of an external auditor.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget, and risk management system and associated procedures.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT (CONTINUED)

Audit Committee (Continued)

In 2022, a total of four meetings of Audit Committee were convened. The attendance record of the Audit Committee's members is shown on page 42. The following is a summary of the tasks completed by the Audit Committee during 2022:

- reviewed the Group's financial reports for the year ended 31 December 2021, for the six months ended 30 June 2022, and for the quarters ended 31 March 2022 and 30 September 2022;
- reviewed the financial reporting system;
- reviewed the effectiveness of the Group's internal control system;
- reviewed the Group's risk management system;
- reviewed the work plan for the 2022 audit and fees budget of the auditor;
- made recommendation on the re-appointment of the auditor;
- reviewed fees for non-audit services provided by the Company's auditors; and
- adopted a revised whistleblowing policy.

There is no material uncertainty relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Auditor's remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 56 to 59.

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, amounted to HK$16,554,018 in respect of audit services; HK$1,683,494 in respect of assurance related services and HK$557,673 in respect of non-audit services (which includes review and consultancy services, services made at the request of regulators, and taxation services), all of which were reviewed and approved by the Audit Committee.

The Audit Committee recommends the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor at the forthcoming annual general meeting.

RISK MANAGEMENT

The Board of Directors acknowledges that it is responsible for the Group's risk management and for reviewing its effectiveness. The Board evaluates and determines the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensures that the Group establishes and maintains an appropriate and effective risk management system. The Board oversees the Company's management in the design, implementation and monitoring of the risk management system on an on-going basis. Management, on the other hand, provides confirmation to the Board on the effectiveness of these systems.

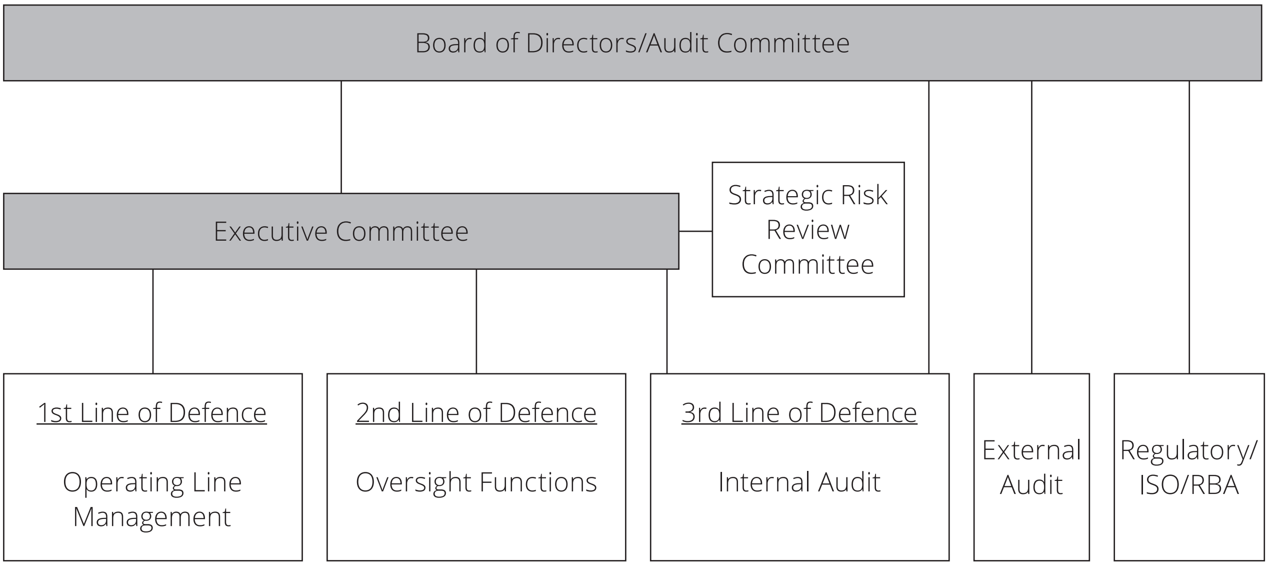
Management is delegated by the Board to advise the Board on the Group's risk-related matters. Management is also responsible for assessing the effectiveness of the Group's risk control/management system.

RISK MANAGEMENT (CONTINUED)

Risk Management and Control System

The Group has in place a risk management framework ("Framework"), which is based on the "Three Lines of Defence" model and includes a process of Strategic Risk Review. The Framework gives the Board and the management a clear overview of the effectiveness of internal controls and risk management. The Framework is a structured, systematic and effective risk and control system that manages the strategic, operational, financial, financial reporting and compliance risks and enhances clarity at all levels of the Group. The Board and the management are aware that the Framework is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Framework



The Three Lines of Defence sets out clear responsibilities for overseeing and coordinating risk assessment and mitigation on a Group-wide basis so as to ensure that risks faced by the Group are effectively identified, measured, monitored and controlled.

- *1st Line of Defence — Operating Line Management*
  Line management personnel own and manage risk, and are responsible for undertaking and establishing appropriate controls to operate effectively on a daily basis. There are adequate management controls in place to monitor ongoing compliance and to highlight control breakdowns.

- *2nd Line of Defence — Oversight Functions*
  These oversight functions support the management by bringing expertise, process excellence, and management monitoring alongside the 1st Line of Defence in outlining the principles, governance, roles and responsibilities, and help ensure that the risk and control procedures are operating as intended. Oversight functions involve Finance and Tax, Information Technology, Human Resources, Legal and Compliance, and Operational Excellence that includes Quality and Inspection.

- *3rd Line of Defence — Internal Audit*
  Group Internal Audit provides an independent and objective assurance to the management on the effectiveness and adequacy of the Group's internal control systems, with a primary reporting line to the Board through the Audit Committee.

The Framework also takes into consideration the COSO Internal Control — Integrated Framework in managing risks relating to the achievement of objectives.

RISK MANAGEMENT (CONTINUED)

Risk Management and Control System (Continued)

The Framework (Continued)

As a complement to the Three Lines of Defence, the Strategic Risk Review Committee reports directly to the Group's Executive Committee, which comprises the Group Chief Executive Officer and other senior management members of the Group. The Strategic Risk Review Committee for the year 2022 was chaired by a Vice President of the Group and comprised management representatives from different Business Segments who were responsible for various key functions within the Group. The Strategic Risk Review Committee is tasked with identifying and assessing risks that would hinder the Group from achieving its objectives, and analysing and recommending how risks are to be managed. This will enhance risk management in order that all material risks faced by the Group are identified, reviewed and appropriately managed. The Strategic Risk Review Committee reports the key risks to the Executive Committee on a regular basis and to the Board on an annual basis. Task forces have been formed and assigned to study in detail the key risks identified and recommend appropriate courses of action to manage identified risks.

The Board, with the assistance of the Executive Committee, oversees the Company's Framework and reviews the Group's top risks and emerging risks on an ongoing basis. During the year, the Board has performed a review of the Group's Framework, including its processes for risk identification and assessment, risk management processes, as well as evaluating the Group's top risks and key emerging risks, and the controls in place to mitigate such risks.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligation under the Securities and Futures Ordinance and the Listing Rules, and the overriding principle that inside information should be announced immediately in compliance with the aforesaid Ordinance and Rules.

The Company makes reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012 in the handling and dissemination of inside information.

The Company has included in its Code of Business Conduct a strict prohibition on the unauthorised use of confidential or inside information.

The Company has also established and implemented procedures for responding to external enquiries about the Group's affairs. Senior managers of the Group are identified and authorised to act as the Company's spokespersons and to respond to enquiries on specific areas and issues.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decisions.

Shareholders' Communication Policy

The Company has established a Shareholders' Communication Policy relating to the Company's communications with its shareholders, with the objective of ensuring that its shareholders and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

Shareholders' Communication Policy (Continued)

General Policy

- The Board shall maintain an on-going dialogue with Shareholders and the investment community, and will revise this Policy where appropriate to ensure its effectiveness.

- Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on ASMPT's website.

- Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times. Any question regarding this Policy shall be directed to the Company's Chief Executive Officer.

Communication Strategies

Shareholders' enquiries

- Shareholders may at any time send their enquiries and concerns in writing to the Investor Relations Department, which contact details are as follows:

  ASMPT Limited
  Singapore Office (Corporate Headquarters)
  2 Yishun Avenue 7
  Singapore 768924
  Republic of Singapore

  Hong Kong Office
  19/F, Gateway ts
  8 Cheung Fai Road
  Tsing Yi, New Territories
  Hong Kong

  Attn.: Investor Relations Department

Telephone:	(65) 6752 6311; (65) 6750 3172 (Singapore)
	(852) 2424 2021; (852) 2970 6329 (Hong Kong)
Fax:	(65) 6758 2287 (Singapore)
	(852) 2481 3367 (Hong Kong)
Email:	investor.relation@asmpt.com

  Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Corporate Communications

- Corporate communications will be provided to Shareholders in plain language and in both English and Chinese. Shareholders are encouraged to access the Company's corporate communications electronically via the ASMPT website (www.asmpt.com) to help protect the environment. Shareholders may change their choice of language (English and/or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

Shareholders' Communication Policy (Continued)

Communication Strategies (Continued)

Corporate Website

- A dedicated Investors section is available on the ASMPT website (www.asmpt.com). Information on the ASMPT website is updated on a regular basis.

- Information released by the Company to the Stock Exchange is also posted on the ASMPT website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc.

- All press releases and presentation materials provided in conjunction with the Company's results announcement each year will be made available on the ASMPT website as soon as practicable after their release.

Shareholders' Meetings

- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

- Appropriate arrangements for the conduct of the Company's annual general meetings shall be in place to encourage Shareholders' participation.

- The Company's general meeting procedures will be monitored and reviewed, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

- Board members, including the chairmen of the Board and the Board committees, relevant management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

- Shareholders are encouraged to attend shareholders' activities organised by the Company, where information about the Company, including its latest products and services, will be communicated.

Communications with Investment Community

- Investor/analysts briefings, roadshows, media interviews, marketing activities for investors and specialist industry forums etc. will be held from time to time, where appropriate, in order to facilitate communication between the Company, shareholders and the investment community.

The Company holds earnings calls with the investment community in connection with the Company's annual, interim and quarterly results. Apart from these earnings calls, the Company also conducts post-results Non-Deal Roadshows (NDRs) on a quarterly basis (except for the first quarter). During these calls or interactions, the Company's Chief Executive Officer, in conjunction with the Chief Financial Officer, will make presentations on the Group's performance to the investment community. Moreover, designated senior executives maintain regular dialogue with institutional investors to keep them abreast of the Group's development, subject to compliance with applicable laws and regulations. Including the four results announcements, approximately 300 meetings/calls with analysts, investors and media were held in 2022.

Any question regarding the Shareholders' Communication Policy may be directed to the Company's Chief Executive Officer.

The Board will review the Shareholders' Communication Policy on an annual basis to review its implementation and effectiveness.

During the year under review, the Board has conducted a review of the implementation and effectiveness of the Shareholders' Communication Policy.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

Dividend Policy

The Group has a proven track record of consistently paying dividends every year through the peaks and troughs of global economic and semiconductor cycles since its HKEX listing in 1989. This has delivered consistent returns to its shareholders.

The dividend policy of the Group is to continue a consistent annual dividend payout ratio of around 50%. The actual dividend payout ratio for each year will depend on various factors, including the Group's strategy and financial performance, its liquidity and financing needs and the prevailing market outlook. The Board will review this dividend policy from time to time, with reference to factors such as the Group's future prospects and capital requirements.

Shareholders' Meeting

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as the respective chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee or, in their absence, other members of the respective committees, and Independent Non-Executive Directors are available to answer questions at the shareholders' meetings. The Company's external auditor, Messrs. Deloitte Touche Tohmatsu, attends the annual general meeting and is available to answer questions relating to the conduct of its audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The most recent shareholders' meeting was the 2022 AGM held on 10 May 2022 at Room 3–5, United Conference Centre, 10/F United Centre, 95 Queensway, Hong Kong. All the resolutions proposed at that meeting were approved by the shareholders by poll voting. A live webcast was made available for pre-registered shareholders of the Company to view the proceedings of the 2022 AGM online. Details of poll results are available under the investor relations section of the Company's website (www.asmpt.com) and the website of the HKEXnews (www.hkexnews.hk).

The next annual general meeting will be held on Tuesday, 9 May 2023, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

Shareholder Rights

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the re-election of retiring Directors.

All votes of the shareholders at shareholders' meetings are taken by poll. Poll results are posted on the Company's website (www.asmpt.com) and the HKEXnews website (www.hkexnews.hk) following the shareholders' meetings.

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to the Articles of Association, shareholders holding not less than one-tenth in amount of the issued capital of the Company (hereinafter referred to as the "requisitionists") may request for an extraordinary general meeting of the Company to be convened. The requisition must be in writing and signed by the requisitionists, stating the objective of the meeting, and it should be deposited at the Company's registered office at Cayman Islands or its principal place of business in Hong Kong at 19/F, Gateway ts, 8 Cheung Fai Road, Tsing Yi, New Territories, Hong Kong.

If the Directors do not, within 21 days from the date of the requisition, duly proceed to convene a meeting, the requisitionists or any of them representing more than one-half of total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of requisition.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

Procedures for putting forward proposals at shareholders' meetings

Shareholders who wish to put forward a proposal at an extraordinary general meeting should follow the procedures set out in the "Procedures for shareholders to convene an extraordinary general meeting" above.

Pursuant to Article 115 of the Company's Articles of Association, no person other than a Director retiring at a meeting shall, unless recommended by the Directors, be appointed a Director at a general meeting unless notice in writing shall have been given to the Company of the intention of any member qualified to vote at the meeting to propose any person other than a retiring Director for election to the office of Director, with notice executed by that person of his willingness to be appointed, provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for giving such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules.

Details of the procedure for shareholders to propose candidates for election to the Board of Directors are available on the Company's website (www.asmpt.com).

Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Investor Relations Department, which contact details are as follows:

ASMPT Limited
Singapore Office (Corporate Headquarters)
2 Yishun Avenue 7
Singapore 768924
Republic of Singapore

Hong Kong Office
19/F, Gateway ts
8 Cheung Fai Road
Tsing Yi, New Territories
Hong Kong

Attn.: Investor Relations Department

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Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (CONTINUED)

Articles of Association of the Company

At the 2022 AGM held on 10 May 2022, proposed amendments to the Articles of Association of the Company were approved by the shareholders of the Company and the Amended and Restated Memorandum and Articles was adopted by the Company on the same day.

The amendments included certain amendments (i) to reflect the change the name of the Company from "ASM Pacific Technology Limited" to "ASMPT Limited", (ii) to allow the Company to hold general meetings as hybrid meetings where Shareholders may participate by means of electronic facilities in addition to physical attendance, (iii) to conform with the core shareholder protection standards set out in Appendix 3 of the Listing Rules, and (iv) to make updates and housekeeping changes. Details of the amendments to the Articles of Association were set out in the circular to shareholders sent together with the 2021 Annual Report on 1 April 2022.

On behalf of the Board
Robin Gerard Ng Cher Tat
Director

28 February 2023

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF ASMPT LIMITED
(FORMERLY KNOWN AS ASM PACIFIC TECHNOLOGY LIMITED)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ASMPT Limited (formerly known as ASM Pacific Technology Limited) (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 60 to 161, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill and intangible assets with indefinite useful life under the cash-generating unit in placement and printing business	
We identified the impairment testing of goodwill and intangible assets with indefinite useful life under the cash-generating unit ("CGU") in placement and printing business as a key audit matter due to its complexity and significant judgment exercised by the Group's management on the impairment testing. As detailed in note 22 to the consolidated financial statements, for the purposes of impairment testing, the carrying amounts of goodwill and intangible assets with indefinite useful life under the CGU in placement and printing business as at 31 December 2022 were HK$407,775,000 and HK$246,073,000 respectively. Determining the amount of impairment for goodwill and intangible assets with indefinite useful life requires an estimation of the recoverable amount, which is the value in use of the CGU to which goodwill and intangible assets have been allocated. The value in use is determined based on the cash flow projection for the CGU discounted to its present value and requires the use of key assumptions, including sales growth rates, gross profit margin rates, terminal growth rates and discount rates applied to the cash flow projection. These estimates and judgements may be affected by unexpected changes in future market or economic conditions or discount rates applied. The management of the Group determines that there was no impairment recognized with respect to the goodwill and intangible assets with indefinite useful life allocated to the CGU in placement and printing business during the year ended 31 December 2022.	Our procedures in relation to assessing the appropriateness of the impairment testing of goodwill and intangible assets with indefinite useful life included: • Understanding the Group's impairment testing process, including the valuation model adopted and assumptions used; • Evaluating the appropriateness of the model used to calculate the recoverable amount; • Evaluating the reasonableness of the budgeted sales and gross margin by considering the approved financial budgets, the management's business plan, the available industry and market data; • Evaluating the historical accuracy of the financial budgets prepared by management by comparing the historical financial budgets with the actual performance; and • Engaging our valuation expert to evaluate the appropriateness of the discount rates and terminal growth rates used.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Chi Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5	**19,363,495**	21,947,637
Cost of sales		**(11,397,547)**	(13,040,030)
Gross profit		**7,965,948**	8,907,607
Other income		**122,528**	133,384
Selling and distribution expenses		**(1,705,253)**	(1,802,229)
General and administrative expenses		**(997,654)**	(1,009,395)
Research and development expenses	7	**(2,026,478)**	(1,954,394)
Other gains and losses	8	**86,546**	(43,006)
Other expenses	9	**(76,048)**	(158,805)
Finance costs	10	**(119,936)**	(118,422)
Share of result of a joint venture		**163,338**	137,719
Profit before taxation		**3,412,991**	4,092,459
Income tax expense	11	**(794,924)**	(917,279)
Profit for the year	12	**2,618,067**	3,175,180
Profit (loss) for the year attributable to:			
Owners of the Company		**2,620,251**	3,168,976
Non-controlling interests		**(2,184)**	6,204
		2,618,067	3,175,180
Earnings per share	16		
— Basic		**HK$6.36**	HK$7.72
— Diluted		**HK$6.33**	HK$7.69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Profit for the year		**2,618,067**	3,175,180
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
— remeasurement of defined benefit retirement plans, net of income tax	*36*	**75,403**	41,012
— net fair value loss on investments in equity instruments at fair value through other comprehensive income	*23*	**(35,279)**	(49,735)
		40,124	(8,723)
Items that may be reclassified subsequently to profit or loss:			
— exchange differences on translation of foreign operations			
— subsidiaries		**(657,999)**	(207,826)
— a joint venture		**(33,576)**	8,484
— fair value gain on hedging instruments designated as cash flow hedges		**77,513**	37,011
		(614,062)	(162,331)
Other comprehensive expense for the year		**(573,938)**	(171,054)
Total comprehensive income for the year		**2,044,129**	3,004,126
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**2,061,367**	2,997,603
Non-controlling interests		**(17,238)**	6,523
		2,044,129	3,004,126

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	17	**2,230,635**	2,337,048
Right-of-use assets	18	**1,553,341**	1,600,467
Investment properties	19	**69,485**	80,451
Goodwill	20	**928,313**	926,531
Intangible assets	21	**1,041,763**	1,034,999
Other investments	23	**38,051**	64,202
Interest in a joint venture	24	**1,515,966**	1,386,204
Other financial assets	24	**39,765**	39,775
Deposits paid for acquisition of property, plant and equipment		**31,529**	13,422
Rental deposits paid		**30,798**	32,510
Derivative financial instruments	27	**215,020**	144,386
Deferred tax assets	37	**529,223**	565,883
Long-term bank deposits	28	**14,450**	—
Other non-current assets		**22,762**	23,942
		8,261,101	8,249,820
Current assets			
Inventories	25	**7,450,163**	7,455,775
Trade and other receivables	26	**4,543,672**	5,875,862
Amounts due from a joint venture and its affiliates	24	**21,111**	11,328
Derivative financial instruments	27	**49,479**	1,482
Income tax recoverable		**39,989**	23,638
Pledged bank deposits	28	**570**	1,223
Bank deposits with original maturity of more than three months	28	**147,560**	200,573
Cash and cash equivalents	28	**4,262,886**	4,681,090
		16,515,430	18,250,971
Current liabilities			
Trade liabilities and other payables	29	**2,879,409**	3,608,392
Advance payments from customers	30	**1,093,944**	1,779,304
Amounts due to a joint venture and its affiliates	24	**13,431**	10,629
Derivative financial instruments	27	**14,253**	41,585
Lease liabilities	31	**188,807**	197,378
Provisions	32	**333,537**	351,944
Income tax payable		**473,212**	451,489
Bank borrowings	33	**250,000**	448,588
		5,246,593	6,889,309
Net current assets		**11,268,837**	11,361,662
		19,529,938	19,611,482

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	*34*	**41,287**	41,270
Dividend reserve		**783,758**	1,073,034
Other reserves		**14,913,461**	14,161,122
Equity attributable to owners of the Company		**15,738,506**	15,275,426
Non-controlling interests		**119,025**	136,263
Total equity		**15,857,531**	15,411,689
Non-current liabilities			
Bank borrowings	*33*	**2,000,000**	2,250,000
Lease liabilities	*31*	**1,320,395**	1,348,989
Retirement benefit obligations	*36*	**98,787**	234,643
Provisions	*32*	**54,453**	53,005
Derivative financial instruments	*27*	**—**	18,793
Deferred tax liabilities	*37*	**148,188**	180,674
Other liabilities and accruals	*38*	**50,584**	113,689
		3,672,407	4,199,793
		19,529,938	19,611,482

The consolidated financial statements on pages 60 to 161 were approved and authorized for issue by the Board of Directors on 28 February 2023 and are signed on its behalf by:

Robin Gerard Ng Cher Tat
DIRECTOR

Guenter Walter Lauber
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000 *(note 35)*	Capital redemption reserve HK$'000	Capital reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Other reserve HK$'000 *(Note)*	Hedging reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	41,079	1,677,782	—	—	760	72,979	8,020	(30,589)	(55,804)	(229,710)	10,863,480	821,592	13,169,589	24,658	13,194,247
Profit for the year	—	—	—	—	—	—	—	—	—	—	3,168,976	—	3,168,976	6,204	3,175,180
Items that will not be reclassified to profit or loss:															
Remeasurement of defined benefit retirement plans, net of tax *(note 36)*	—	—	—	—	—	—	—	—	—	—	41,012	—	41,012	—	41,012
Net fair value loss on investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	—	(49,735)	—	—	—	—	—	(49,735)	—	(49,735)
Items that may be reclassified subsequently to profit or loss:															
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	(199,661)	—	—	(199,661)	319	(199,342)
Fair value gain on hedging instruments designated as cash flow hedges	—	—	—	—	—	—	—	—	37,011	—	—	—	37,011	—	37,011
Total comprehensive (expense) income for the year	—	—	—	—	—	—	(49,735)	—	37,011	(199,661)	3,209,988	—	2,997,603	6,523	3,004,126
Sub-total	41,079	1,677,782	—	—	760	72,979	(41,715)	(30,589)	(18,793)	(429,371)	14,073,468	821,592	16,167,192	31,181	16,198,373
Recognition of equity-settled share-based payments	—	—	210,255	—	—	—	—	—	—	—	—	—	210,255	—	210,255
Arising on acquisition of additional interest in subsidiary	—	—	—	—	—	—	—	25,361	—	—	—	—	25,361	(25,361)	—
Arising on partial disposal and deemed partial disposal of a subsidiary	—	—	—	—	—	—	—	254,954	—	—	—	—	254,954	130,443	385,397
Purchase of shares under the Scheme *(as defined in note 35)*	—	—	—	(26,709)	—	—	—	—	—	—	—	—	(26,709)	—	(26,709)
Shares vested under the Scheme	—	—	(25,761)	25,864	—	—	—	—	—	—	(103)	—	—	—	—
Shares issued under the Scheme	191	184,303	(184,494)	—	—	—	—	—	—	—	—	—	—	—	—
2020 final dividend paid	—	—	—	—	—	—	—	—	—	—	—	(821,592)	(821,592)	—	(821,592)
2021 interim dividend paid	—	—	—	—	—	—	—	—	—	—	(534,035)	—	(534,035)	—	(534,035)
2021 final dividend proposed	—	—	—	—	—	—	—	—	—	—	(1,073,034)	1,073,034	—	—	—
At 31 December 2021	41,270	1,862,085	—	(845)	760	72,979	(41,715)	249,726	(18,793)	(429,371)	12,466,296	1,073,034	15,275,426	136,263	15,411,689

Note of other reserve represents:

(i) The change in the non-controlling interest in a subsidiary arising from issue of new shares to the Group upon the capitalization of loans to the subsidiary in 2017;

(ii) Acquiring the non-controlling interest of subsidiaries in 2019 and 2021; and

(iii) The partial disposal and deemed partial disposal of a subsidiary in 2021 through disposal of shares and issue of new shares to an investor which the investor holds 38.46% of the enlarged total issued shares of a subsidiary afterwards.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	Attributable to owners of the Company															
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000 *(note 35)*	Treasury share reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Other reserve HK$'000	Hedging reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	41,270	1,862,085	–	(845)	–	760	72,979	(41,715)	249,726	(18,793)	(429,371)	12,466,296	1,073,034	15,275,426	136,263	15,411,689
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	2,620,251	–	2,620,251	(2,184)	2,618,067
Items that will not be reclassified to profit or loss:																
Remeasurement of defined benefit retirement plans, net of tax *(note 36)*	–	–	–	–	–	–	–	–	–	–	–	75,403	–	75,403	–	75,403
Net fair value loss on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	–	(35,279)	–	–	–	–	–	(35,279)	–	(35,279)
Items that may be reclassified subsequently to profit or loss:																
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(676,521)	–	–	(676,521)	(15,054)	(691,575)
Fair value gain on hedging instruments designated as cash flow hedges	–	–	–	–	–	–	–	–	–	77,513	–	–	–	77,513	–	77,513
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(35,279)	–	77,513	(676,521)	2,695,654	–	2,061,367	(17,238)	2,044,129
Sub-total	41,270	1,862,085	–	(845)	–	760	72,979	(76,994)	249,726	58,720	(1,105,892)	15,161,950	1,073,034	17,336,793	119,025	17,455,818
Recognition of equity-settled share-based payments	–	–	212,743	–	–	–	–	–	–	–	–	–	–	212,743	–	212,743
Transfer loss to retained profits due to written off the other investment	–	–	–	–	–	–	–	46,497	–	–	–	(46,497)	–	–	–	–
Purchase of shares under the Scheme *(as defined in note 35)*	–	–	–	(33,280)	–	–	–	–	–	–	–	–	–	(33,280)	–	(33,280)
Shares repurchased and cancelled	(247)	(151,688)	–	–	–	247	–	–	–	–	–	(247)	–	(151,935)	–	(151,935)
Shares repurchased but not yet cancelled	–	–	–	–	(16,264)	–	–	–	–	–	–	–	–	(16,264)	–	(16,264)
Shares vested under the Scheme	–	–	(30,359)	34,125	–	–	–	–	–	–	–	(3,766)	–	–	–	–
Shares issued under the Scheme	264	182,120	(182,384)	–	–	–	–	–	–	–	–	–	–	–	–	–
2021 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	–	(1,073,034)	(1,073,034)	–	(1,073,034)
2022 interim dividend paid	–	–	–	–	–	–	–	–	–	–	–	(536,517)	–	(536,517)	–	(536,517)
2022 final dividend proposed	–	–	–	–	–	–	–	–	–	–	–	(783,758)	783,758	–	–	–
At 31 December 2022	41,287	1,892,517	–	–	(16,264)	1,007	72,979	(30,497)	249,726	58,720	(1,105,892)	13,791,165	783,758	15,738,506	119,025	15,857,531

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Operating activities			
Profit before taxation		**3,412,991**	4,092,459
Adjustments for:			
Depreciation of investment properties	*19*	**4,990**	5,273
Depreciation of property, plant and equipment	*17*	**388,676**	419,176
Depreciation of right-of-use assets	*18*	**230,921**	216,566
Amortization of intangible assets	*21*	**114,012**	101,768
(Gain) loss on disposal/write-off of property, plant and equipment	*8*	**(1,345)**	9,423
Gains on derecognition and modification of right-of-use assets		**(123)**	(109)
(Gain) loss on fair value change of derivative financial instruments		**(63,093)**	88,683
Impairment loss recognized in respect of goodwill	*22*	**—**	224,824
Share of result of a joint venture		**(163,338)**	(137,719)
Gain on fair value change of derivative relating to share adjustment on earn-out clause in a joint venture	*8*	**(11,953)**	(144,386)
Gain on fair value change of contingent consideration receivable from shareholders of a joint venture	*8*	**—**	(39,775)
Warranty provision expenses		**181,298**	246,553
Restructuring costs		**—**	24,413
Share-based payments under the Scheme		**212,743**	210,255
Interest income		**(32,248)**	(12,355)
Finance costs		**119,936**	118,422
Effect of foreign exchange rate changes on inter-company balances		**64,850**	(68,535)
Operating cash flows before movements in working capital		**4,458,317**	5,354,936
Decrease (increase) in pledged bank deposits		**617**	(612)
Increase in inventories		**(263,092)**	(1,750,014)
Decrease (increase) in trade and other receivables		**1,196,318**	(1,597,023)
Decrease (increase) in other non-current assets		**3,323**	(13,429)
(Decrease) increase in trade liabilities and other payables		**(636,624)**	916,713
(Decrease) increase in advance payments from customers		**(605,010)**	524,143
Decrease in amounts due from/to a joint venture and its affiliates		**(6,981)**	(110,337)
Decrease in other liabilities and accruals		**(60,735)**	(5,408)
Increase in other provisions		**12,944**	22,336
Utilization of warranty provision		**(180,013)**	(222,035)
Utilization of restructuring provision		**(16,368)**	(22,993)
Decrease in retirement benefit obligations		**(122,554)**	(1,724)
Purchase of shares under the Scheme		**(33,280)**	(26,709)
Cash generated from operations		**3,746,862**	3,067,844
Income taxes paid		**(897,600)**	(575,701)
Income taxes refunded		**93,245**	50,628
Net cash from operating activities		**2,942,507**	2,542,771

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Investing activities			
Interest received		**32,248**	12,355
Proceeds on disposals of property, plant and equipment		**30,596**	20,635
Placement of long-term bank deposits		**(14,450)**	—
Purchase of property, plant and equipment		**(422,009)**	(337,165)
Deposits paid for acquisition of property, plant and equipment		**(31,529)**	(13,422)
Additions of intangible assets		**(41,066)**	(3,459)
Net cash outflow arising on acquisition of a subsidiary	*39*	**(178,808)**	—
Refund of rental deposits		**694**	4,094
Payments for rental deposits		**(1,658)**	(3,733)
Additions of other investments		**(11,478)**	(10,179)
Payment of bank deposits with original maturity of more than three months		**(171,674)**	(187,859)
Withdrawal of bank deposits with original maturity of more than three months		**210,297**	—
Net cash used in investing activities		**(598,837)**	(518,733)
Financing activities			
Bank borrowings raised		**796,211**	450,066
Repayment of bank borrowings		**(1,246,095)**	(799,309)
Repayment of lease liabilities		**(205,364)**	(191,569)
Dividends paid		**(1,609,551)**	(1,355,627)
Payment on repurchase of shares		**(168,199)**	—
Payments for finance costs		**(119,936)**	(118,422)
Payment to non-controlling shareholders for additional shares		**—**	(86,303)
Capital contribution from non-controlling shareholders		**—**	311,260
Proceed on partial disposal of a subsidiary		**—**	74,137
Net cash used in financing activities		**(2,552,934)**	(1,715,767)
Net (decrease) increase in cash and cash equivalents		**(209,264)**	308,271
Cash and cash equivalents at beginning of the year		**4,681,090**	4,450,564
Effect of foreign exchange rate changes		**(208,940)**	(77,745)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**4,262,886**	4,681,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

ASMPT Limited (formerly known as ASM Pacific Technology Limited) (the "Company") is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). The corporate headquarters of the Company is located at 2 Yishun Avenue 7, Singapore 768924, Republic of Singapore. The registered address of the Company is Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman KY1-1102, Cayman Islands, and the address of the principal place of business of the Company in Hong Kong (where its shares are listed) is 19/F, Gateway ts, 8 Cheung Fai Road, Tsing Yi, New Territories, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are engaged in the design, manufacture and marketing of machines and tools used in semiconductor and electronics assembly industries. The principal subsidiaries and their activities are set out in note 47.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

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

Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("HKAS 37") or HK(IFRIC)-Int 21 *Levies* ("HK(IFRIC)-Int 21"), an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* ("HKAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences on initial recognition of the relevant assets and liabilities are recognized on a net basis.

Upon the application of the amendments, the Group will recognize 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 utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on or after 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$1,317,237,000 and HK$1,430,170,000 respectively, in which the Group will recognize the related deferred tax asset and deferred tax liability.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date;

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 *Non-current Liabilities with Covenants ('the 2022 Amendments')*

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, *Classification of Liabilities as Current or Non-current* ("the 2020 Amendment") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment* ("HKFRS 2"), leasing transactions that are accounted for in accordance with HKFRS 16 *Lease* ("HKFRS 16") and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Business combinations (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Investments in joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Changes in the Group's interest in a joint venture

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

A contract liability, i.e. advance payments from customers and deferred income (included in trade liabilities and other payables), represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

<u>Input method</u>

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation (including sales of goods, installation of equipment, training services and rights to purchase certain amounts of spare parts for free), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production of goods, or for administrative purposes (other than freehold land, leasehold improvements in progress and property, plant and equipment under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold land is not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets other than freehold land, leasehold improvements in progress and construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Property, plant and equipment under development for future owner-occupied purpose

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment property over its estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. A leased property which is recognized as a right-of-use asset is derecognized if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognized.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful life are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequently accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with carrying amount of the relevant cash generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) bank balances and cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of semiconductor solutions and materials is calculated using the first-in, first-out method. Cost of surface mount technology equipment is calculated using either on a first-in, first-out or weighted average method, depending on the type of inventory. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restructurings

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Provisions (Continued)

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant sale of contracts with customers for sales of goods are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the assets and the related liabilities as a whole. Temporary differences relating to the relevant assets and related liabilities are assessed on a net basis. Excess of depreciation on the relevant assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

<u>Allocation of consideration to components of a contract</u>

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment;

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentive receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modification, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI, i.e. other investments, are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including long-term bank deposits, trade and other receivables, amounts due from a joint venture and its affiliates, rental deposits paid, pledged bank deposits, bank deposits with original maturity of more than three months and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually and/or collectively with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment in lifetime ECL, the Group takes into consideration the past due information and relevant credit information.

The Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognized through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Financial instruments (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at amortized cost

The Group's other financial liabilities, including trade liabilities and other payables, amounts due to a joint venture and its affiliate, bank borrowings and other liabilities, are subsequently measured at amortized cost using the effective interest method.

Obligation arising from a contract to acquire non-controlling interests

The gross financial liability arising from contract to acquire non-controlling interests is recognized when contractual obligation to repurchase the shares in a subsidiary is established. The liability for the share redemption amount is initially recognized and measured at present value of the estimated repurchase price with the corresponding debit to the non-controlling interests. Subsequent to initial recognition, the remeasurement of the present value of the estimated gross obligation under the forward contract to acquire the non-controlling interests from the non-controlling shareholders is recognized in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair values at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

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

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

Assessment of hedging relationship and effectiveness

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Hedge accounting (Continued)

Cash flow hedges

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

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

Discontinuation of hedge accounting

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partially disposal of the Group's interest.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting periods, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of the reporting period, the Group revised its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the equity instruments are subsequently vested and issued, the amount previously recognized in the employee share-based compensation reserve will be transferred to share capital and share premium.

Awarded shares held under share award scheme granted to members of the management of the Group for their services to the Group

Shares purchased under the share award scheme are initially recognized in equity (shares held for share award scheme) at fair value of consideration paid including the transaction costs at the date of purchase.

The fair value of services received from directors and employees determined by reference to the fair value of awarded shares granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in employee share-based compensation reserve.

At the time when the awarded shares are vested, the difference on the amounts previously recognized in shares held for share award scheme and the amount recognized in employee share-based compensation reserve is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Government grants relating to compensations of expenses are deducted from the related expenses, other government grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Occupational Retirement Schemes Ordinance ("ORSO Scheme")/the Mandatory Provident Fund Scheme ("MPF Scheme") are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognized in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognized when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (Continued)

Employee benefits (Continued)

Retirement benefit costs (Continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presented the first two components of defined benefit costs in profit or loss. Curtailment gains or losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets with indefinite useful life is impaired requires an estimation of the recoverable amount of the cash-generating units (the "CGUs") to which goodwill and intangible assets with indefinite useful life has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value-in-use is determined based on the cash flow projection for the CGUs discounted to its present value and requires the use of key assumptions, including sales growth rates, gross profit margin rates, terminal growth rates and discount rates applied to the cash flow projection. Where the actual future cash flows are less than expected, or changes in facts and circumstances which result in downward revision of the future cash flows or upward revision of the discount rate, a material impairment loss may arise.

The carrying amount of goodwill and intangible assets with indefinite useful life as at 31 December 2022 was HK$928,313,000 (2021: HK$926,531,000) and HK$394,100,000 (2021: HK$396,301,000), respectively. During the year ended 31 December 2021, impairment of HK$224,824,000 was provided on goodwill allocated to a CGU of the semiconductor solutions business. No impairment was recognized on goodwill during the year ended 31 December 2022. No impairment was provided on intangible assets with indefinite useful life for both years ended 31 December 2022 and 2021. Details of the recoverable amount calculations are set out in note 22.

Provisions

Significant estimates are involved in the determination of provision related to warranty costs, restructuring costs and legal proceedings. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty service, restructuring and legal proceedings will result an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the relevant correspondences and contracts with customers/counterparties. The management estimates the cost for rectification work, restructuring and legal proceedings with regard to the Group's experience in addressing such matters. As at 31 December 2022, the Group recognized provisions, including warranty provision, restructuring provision and obligation in relation to litigation amounting to HK$282,189,000 (2021: HK$290,343,000), HK$20,923,000 (2021: HK$40,576,000) and HK$38,985,000 (2021: HK$39,029,000) respectively (see note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

5. REVENUE

Disaggregation of revenue from contracts with customers

	2022 HK$'000	2021 HK$'000
Sales of goods and services		
Semiconductor solutions	**10,104,838**	13,513,918
Surface mount technology solutions	**9,258,657**	8,433,719
	19,363,495	21,947,637

The Group sells different equipment in the semiconductor and electronics assembly industries.

The revenue from semiconductor solutions business mainly includes the sales of standard products, and new or highly customized equipment. The revenue also includes service income from the provision of equipment installation services and training services.

The revenue from sales of standard products, including standard equipment and software, are recognized when control of the goods has transferred, being the time when the goods have been delivered.

The revenue from sales of new or highly customized equipment is recognized when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the equipment and obtain substantially all of the remaining benefits of the equipment.

The revenue from sales of customer-specific-software in relation to surface mount technology solutions is recognized over time (percentage of completion by reference to direct costs incurred). The Group's work on the customer-specific-software does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for the performance completed to date. The Group fulfills the performance obligation by completing the maintenance services, provision of equipment installation services and training service for its customers. Revenue is recognized over time when relevant services are rendered.

The performance obligations of goods and services provided by the Group are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Sales-related warranties associated with equipment cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37.

6. SEGMENT INFORMATION

The Group has two (2021: two) operating segments: development, production and sales of (1) semiconductor solutions and (2) surface mount technology solutions. They represent two (2021: two) major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the two (2021: two) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment revenues and results

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

	2022 HK$'000	2021 HK$'000
Segment revenue from external customers		
Semiconductor solutions	**10,104,838**	13,513,918
Surface mount technology solutions	**9,258,657**	8,433,719
	19,363,495	21,947,637
Segment profit		
Semiconductor solutions	**1,652,629**	3,025,876
Surface mount technology solutions	**1,825,566**	1,377,284
	3,478,195	4,403,160
Interest income	**32,248**	12,355
Finance costs	**(119,936)**	(118,422)
Share of result of a joint venture	**163,338**	137,719
Unallocated other income	**24,162**	79,980
Unallocated net foreign exchange gain and fair value change of foreign currency forward contracts	**84,995**	37,912
Unallocated general and administrative expenses	**(177,185)**	(212,401)
Unallocated impairment loss recognized in respect of goodwill	**—**	(224,824)
Unallocated other gains	**3,222**	135,785
Other expenses	**(76,048)**	(158,805)
Profit before taxation	**3,412,991**	4,092,459

No analysis of the Group's assets and liabilities (except for additions to property, plant and equipment, right-of-use assets and intangible assets) 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 described in note 3. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, share of result of a joint venture, unallocated other income, unallocated net foreign exchange gain and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, unallocated impairment loss recognized in respect of goodwill, unallocated other gains, and other expenses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

6. SEGMENT INFORMATION (CONTINUED)

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

2022

	Semiconductor solutions HK$'000	Surface mount technology solutions HK$'000	Unallocated general and administrative expenses HK$'000	Total HK$'000
Amounts regularly provided to CODM:				
Additions of property, plant and equipment and right-of-use assets	329,695	313,072	—	642,767
Additions of intangible assets	40,469	597	—	41,066
Amounts included in the measure of segment profit:				
Amortization for intangible assets	57,406	56,606	—	114,012
Depreciation for property, plant and equipment and right-of-use assets	414,911	203,403	1,283	619,597
Depreciation for investment properties	—	—	4,990	4,990
(Gains) losses on disposal/write-off of property, plant and equipment	(676)	347	(1,016)	(1,345)
Research and development expenses	1,327,404	699,074	—	2,026,478
Share-based payments	157,357	22,977	32,409	212,743

2021

	Semiconductor solutions HK$'000	Surface mount technology solutions HK$'000	Unallocated general and administrative expenses HK$'000	Total HK$'000
Amounts regularly provided to CODM:				
Additions of property, plant and equipment and right-of-use assets	413,368	196,668	—	610,036
Additions of intangible assets	—	3,459	—	3,459
Amounts included in the measure of segment profit:				
Amortization for intangible assets	41,687	60,081	—	101,768
Depreciation for property, plant and equipment and right-of-use assets	422,991	211,483	1,268	635,742
Depreciation for investment properties	—	—	5,273	5,273
(Gains) losses on disposal/write-off of property, plant and equipment	(7,715)	(406)	17,544	9,423
Research and development expenses	1,257,127	697,267	—	1,954,394
Share-based payments	160,987	21,196	28,072	210,255

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (regularly provided to the CODM but not included in the measurement of segment profit or loss)

2021

	Semiconductor solutions HK$'000	Surface mount technology solutions HK$'000	Unallocated general and administrative expenses HK$'000	Total HK$'000
Impairment loss recognized in respect of goodwill (included in other gains and losses)	224,824	—	—	224,824

There is no impairment loss recognized in respect of goodwill for the year ended 31 December 2022.

Geographical information

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

	Non-current assets	
	2022 HK$'000	2021 HK$'000
Mainland China	**1,393,670**	1,455,226
Europe	**1,027,843**	1,014,187
— Germany	**704,322**	653,601
— Portugal	**121,549**	147,542
— United Kingdom	**151,684**	161,717
— Others	**50,288**	51,327
Singapore	**894,186**	913,088
Hong Kong	**716,506**	799,067
Malaysia	**452,058**	492,019
Americas	**438,871**	390,436
— United States of America ("USA")	**430,921**	386,588
— Others	**7,950**	3,848
Taiwan	**21,810**	28,197
Korea	**13,314**	16,464
Others	**22,055**	14,155
	4,980,313	5,122,839

Note: Non-current assets excluded goodwill, other investments, interest in a joint venture, other financial assets, derivative financial instruments, deferred tax assets and long-term bank deposits.

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

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

	Revenue from external customers	
	2022 HK$'000	2021 HK$'000
Mainland China	6,882,685	10,495,049
Europe	3,441,866	2,710,008
— Germany	1,110,151	844,514
— Hungary	355,720	230,216
— Romania	251,451	277,142
— France	210,425	139,776
— Poland	191,294	110,802
— Others	1,322,825	1,107,558
Americas	2,242,479	1,652,601
— USA	1,585,292	1,062,917
— Mexico	271,310	172,689
— Canada	93,901	95,383
— Others	291,976	321,612
Malaysia	1,763,446	1,076,308
Hong Kong	1,198,993	962,350
Taiwan	1,171,404	1,661,671
Japan	652,903	659,576
Korea	581,579	1,028,433
Thailand	487,428	818,292
Vietnam	307,701	249,995
Philippines	278,765	274,049
India	185,843	87,394
Singapore	116,571	225,094
Others	51,832	46,817
	19,363,495	21,947,637

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

7. RESEARCH AND DEVELOPMENT EXPENSES

Included in research and development expenses are mainly depreciation for property, plant and equipment of HK$72,251,000 (2021: HK$72,297,000), and staff costs of HK$1,346,609,000 (2021: HK$1,335,717,000) for the year ended 31 December 2022.

8. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
The gains and losses comprise:		
Net foreign exchange gain	**167,261**	115,206
Loss on fair value change of foreign currency forward contracts	**(82,266)**	(77,294)
Gain (loss) on disposal/write-off of property, plant and equipment	**1,345**	(9,423)
Gain on fair value change of derivative relating to share adjustment on earn-out clause in a joint venture	**11,953**	144,386
Gain on fair value change of contingent consideration receivable from shareholders of a joint venture	**—**	39,775
Impairment loss recognized in respect of goodwill	**—**	(224,824)
Others	**(11,747)**	(30,832)
	86,546	(43,006)

9. OTHER EXPENSES

	2022 HK$'000	2021 HK$'000
Provision in relation to the litigation	**—**	21,717
Restructuring costs *(Note a)*	**—**	24,413
Other expenses *(Note b)*	**76,048**	112,675
	76,048	158,805

Notes:

(a) During the year ended 31 December 2021, supplier contracts termination costs of HK$24,413,000 (2022: nil), was charged to restructuring costs resulted from the product portfolio simplification of the Group.

(b) During the year ended 31 December 2022, consultancy costs of HK$49.6 million (2021: HK$90.6 million) relating to the progressive implementation of several strategic initiatives across the Group were charged to other expenses. The key objective of these strategic initiatives is to drive the Group's long term organizational efficiency, along with strengthening its overall agility, resilience, and sustainability. As such, the Group is confident that these strategic initiatives will deliver long term value creation. These consultancy costs were assessed by the management as incurred outside of core operations of the Group and not related to other function of expenses in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

10. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	61,123	36,986
Interest on lease liabilities	49,664	53,179
Others	9,441	8,038
	120,228	98,203
Net (gain) loss on interest rate swaps designated as cash flow hedges	(292)	20,219
	119,936	118,422

11. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	43,728	56,393
People's Republic of China ("PRC") Enterprise Income Tax	97,149	150,089
Germany	409,901	386,307
Other jurisdictions	214,273	215,556
	765,051	808,345
(Over) under-provision in prior years:		
Hong Kong	(781)	(40)
PRC Enterprise Income Tax	18,310	142,004
Germany	2,692	15,841
Other jurisdictions	64,002	28,292
	84,223	186,097
Deferred tax credit *(note 37)*	(54,350)	(77,163)
	794,924	917,279

11. INCOME TAX EXPENSE (CONTINUED)

(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 years ended 31 December 2022 and 2021.

(b) Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% (2021: 25%), except for ASMPT Technology (China) Co., Ltd. (formerly known as ASM 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.

(c) ASMPT Singapore Pte. Ltd. (formerly known as ASM Technology 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% (2021: 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% (2021: 15.00%) plus 5.50% (2021: 5.50%) solidarity surcharge on the corporate income tax for the assessable profit for the year, which derives at a tax rate of 15.825% (2021: 15.825%). In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 12.013% to 17.150% (2021: 14.123% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates are between 27.838% and 32.975% (2021: between 29.948% and 32.975%).

(e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

11. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before taxation in the consolidated statement of profit or loss as follows:

	2022 HK$'000	2021 HK$'000
Profit before taxation	**3,412,991**	4,092,459
Tax at the domestic income tax rate of 16.5% (2021: 16.5%) *(Note)*	**563,144**	675,256
Tax effect of share of result of a joint venture	**(26,951)**	(22,724)
Tax effect of expenses not deductible in determining taxable profit	**73,269**	135,151
Tax effect of income not taxable in determining taxable profit	**(70,482)**	(25,730)
Tax effect of tax losses not recognized	**5,772**	2,758
Tax effect of utilization of tax losses previously not recognized	**(1,677)**	(284)
Tax effect of recognition of temporary difference previously not recognized	**(1,222)**	(2,658)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**291,993**	186,716
Effect of tax concessionary rates for ATC and ATS	**(102,049)**	(189,575)
Effect of other tax concessions	**(39,285)**	(25,627)
Under-provision in prior years	**84,223**	186,097
Others	**18,189**	(2,101)
Tax charge for the year	**794,924**	917,279

Note: The income tax rate (which is the Hong Kong Profits Tax rate) in the jurisdiction where one of the major operations of the Group is substantially based is used.

12. PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remunerations *(note 13)*	**30,570**	28,840
Other staff		
— Salaries, wages, bonus and other benefits	**4,704,032**	5,020,548
— Pension costs	**284,887**	303,731
— Share-based payments under the Scheme	**198,277**	200,556
Total staff costs	**5,217,766**	5,553,675
Auditors' remuneration		
— Deloitte Touche Tohmatsu network member firms	**16,554**	16,116
— Other auditors	**398**	614
	16,952	16,730
Depreciation for property, plant and equipment	**388,676**	419,176
Depreciation for right-of-use assets	**230,921**	216,566
Depreciation for investment properties	**4,990**	5,273
Amortization for intangible assets		
— Included in general and administrative expenses	**2,942**	3,936
— Included in research and development expenses	**1,629**	2,404
— Included in selling and distribution expenses	**52,426**	41,225
— Included in cost of sales	**57,015**	54,203
	114,012	101,768
Depreciation and amortization	**738,599**	742,783
Gross rental income from investment properties	**(19,165)**	(19,820)
Less: Direct operating expenses from investment properties that generate rental income	**12,163**	13,431
	(7,002)	(6,389)
Government grants *(Note)*	**(95,718)**	(71,082)
Interest income on bank deposits	**(32,248)**	(12,355)

Note: Government grants for the year ended 31 December 2022 included amounts of HK$43,006,000 (2021: HK$29,842,000), HK$19,278,000 (2021: HK$18,003,000), HK$16,818,000 (2021: HK$2,401,000) and HK$4,718,000 (2021: HK$363,000) which are government subsidies received from local authorities in Hong Kong, the PRC or Singapore relating to Employment Support Scheme, import of high technology products, development support and support for stabilizing employment, respectively. Government grants are as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs that are recognized in profit or loss in the period in which they become receivable. They are presented at net basis and are deducted to the extent of the related expenses incurred in cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the consolidated statement of profit or loss. The excess and other government grants of HK$49,651,000 (2021: HK$36,247,000) are presented under "other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December 2022										
	Executive Director and chief executive *(Note a)*	Executive Director *(Note a)*	Non-executive Directors *(Note h)*		Independent Non-executive Directors *(Note i)*						
	Robin Gerard Ng Cher Tat HK$'000 *(Note b)*	Guenter Walter Lauber HK$'000	Paulus Antonius Henricus Verhagen HK$'000	Benjamin Loh Gek Lim HK$'000	Orasa Livasiri HK$'000	John Lok Kam Chong HK$'000	Wong Hon Yee HK$'000	Eric Tang Koon Hung HK$'000	Andrew Chong Yang Hsueh HK$'000 *(Note f)*	Hera Siu Kitwan HK$'000 *(Note g)*	Total HK$'000
Fees	—	—	400	443	723	610	488	560	160	163	3,547
Other emoluments											
Salaries and other benefits	15,164	7,424	—	—	—	—	—	—	—	—	22,588
Contributions to retirement benefits schemes	242	685	—	—	—	—	—	—	—	—	927
Performance related incentive bonus payments *(Note j)*	2,145	1,363	—	—	—	—	—	—	—	—	3,508
Total emoluments	17,551	9,472	400	443	723	610	488	560	160	163	30,570

	Year ended 31 December 2021										
	Executive Director and chief executive *(Note a)*	Executive Directors *(Note a)*		Non-executive Directors *(Note h)*			Independent Non-executive Directors *(Note i)*				
	Robin Gerard Ng Cher Tat HK$'000 *(Note b)*	Guenter Walter Lauber HK$'000	Patricia Chou Pei-Fen HK$'000 *(Note c)*	Petrus Antonius Maria van Bommel HK$'000 *(Note d)*	Paulus Antonius Henricus Verhagen HK$'000 *(Note e)*	Benjamin Loh Gek Lim HK$'000	Orasa Livasiri HK$'000	John Lok Kam Chong HK$'000	Wong Hon Yee HK$'000	Eric Tang Koon Hung HK$'000	Total HK$'000
Fees	—	—	—	114	186	350	500	450	400	400	2,400
Other emoluments											
Salaries and other benefits	11,433	6,032	3,388	—	—	—	—	—	—	—	20,853
Contributions to retirement benefits schemes	232	642	—	—	—	—	—	—	—	—	874
Performance related incentive bonus payments *(Note j)*	2,753	1,960	—	—	—	—	—	—	—	—	4,713
Total emoluments	14,418	8,634	3,388	114	186	350	500	450	400	400	28,840

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) Mr. Robin Gerard Ng Cher Tat is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(c) Ms. Patricia Chou Pei-Fen was appointed as an executive director of the Company on 19 May 2020 and resigned on 31 December 2021.

(d) Mr. Petrus Antonius Maria van Bommel resigned as a non-executive director of the Company on 18 May 2021.

(e) Mr. Paulus Antonius Henricus Verhagen was appointed as a non-executive director of the Company on 18 May 2021.

(f) Mr. Andrew Chong Yang Hsueh was appointed as an independent non-executive director of the Company on 21 July 2022.

(g) Ms. Hera Siu Kitwan was appointed as an independent non-executive director of the Company on 1 August 2022.

(h) The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(i) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(j) The performance related incentive bonus payments are determined with reference to the operating results, individual performance and comparable market statistics in both years.

During the year ended 31 December 2022, 208,900 (2021: 100,030) Awarded Shares (as defined in note 35) were granted to certain executive directors in respect of their services to the Group under the Scheme (as defined in note 35). The Group recognized total expenses of HK$14,466,000 (2021: HK$9,699,000) in relation to the Scheme which was amortized to the consolidated statement of profit or loss during the year and included in salaries and other benefits above. The market value for these Awarded Shares as at their vesting date was amounted to HK$12,179,000 (2021: HK$8,039,000), which was calculated with reference to the closest trading price of the Company's share of HK$58.30 (2021: HK$80.15) per share. For details regarding the Awarded Shares, please refer to note 35.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and other benefits	**43,075**	38,024
Contributions to retirement benefits schemes	**1,079**	995
Performance related incentive bonus payments	**6,477**	7,757
	50,631	46,776

For the year ended 31 December 2022, 362,300 (2021: 215,200) shares of the Company were granted to five highest paid employees in respect of their services to the Group under the Scheme. Details of the Scheme are set out in note 35 to the Group's consolidated financial statements. The Group recognized expenses of these shares amounting to HK$25,089,000 (2021: HK$20,810,000) in relation to the Scheme (as defined in note 35) which was included in salaries and other benefits above for the year ended 31 December 2022.

The five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2022	2021
HK$7,000,001 to HK$7,500,000	**2**	—
HK$7,500,001 to HK$8,000,000	**—**	2
HK$8,000,001 to HK$8,500,000	**—**	1
HK$8,500,001 to HK$9,000,000	**—**	1
HK$9,000,001 to HK$9,500,000	**2**	—
HK$14,000,001 to HK$14,500,000	**—**	1
HK$17,500,001 to HK$18,000,000	**1**	—

During the year ended 31 December 2022, the five highest paid employees of the Group included two (2021: two) directors. Details of the emoluments of the directors for services rendered by them as directors are set out in note 13.

15. DIVIDENDS

	2022 HK$'000	2021 HK$'000
Dividend recognized as distribution during the year		
Interim dividend for 2022 paid of HK$1.30 (2021: HK$1.30) per share on 412,705,333 (2021: 410,796,133) shares	**536,517**	534,035
Final dividend for 2021 paid of HK$2.60 (2021: final dividend for 2020 paid of HK$2.00) per share on 412,705,333 (2021: 410,796,133) shares	**1,073,034**	821,592
	1,609,551	1,355,627

Subsequent to the end of the reporting period, a final dividend of HK$1.90 (2021: final dividend of HK$2.60) per share in respect of the year ended 31 December 2022 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	2022 HK$'000	2021 HK$'000
Dividend proposed subsequent to the end of the reporting period		
Proposed final dividend for 2022 of HK$1.90 (2021: HK$2.60) per share on 412,504,333 (2021: 412,705,333) shares	**783,758**	1,073,034

16. 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:

	2022 HK$'000	2021 HK$'000
Earnings for the purpose of calculating basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**2,620,251**	3,168,976

	Number of shares (in thousands)	
	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**411,667**	410,678
Effect of dilutive potential shares:		
— Employee Share Incentive Scheme	**2,369**	1,656
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**414,036**	412,334

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For the year ended 31 December 2022

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong HK$'000	Buildings outside Hong Kong HK$'000	Leasehold improvements/ Leasehold improvements in progress HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Machinery for leases HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 January 2021	15,816	1,330,286	782,002	3,756,492	101,091	82,543	12,134	6,080,364
Currency realignment	153	7,879	5,211	(13,011)	(1,752)	2,735	—	1,215
Additions	—	—	77,246	253,566	6,406	—	28,585	365,803
Transfer from inventories	—	—	—	—	—	14,986	—	14,986
Transfer to inventories	—	—	—	—	—	(4,083)	—	(4,083)
Disposals	—	—	(4,725)	(143,357)	(475)	—	—	(148,557)
Write-off	—	—	(110,906)	(155,084)	(4,857)	—	—	(270,847)
At 31 December 2021	15,969	1,338,165	748,828	3,698,606	100,413	96,181	40,719	6,038,881
Currency realignment	(321)	(76,760)	(2,464)	(181,893)	(7,371)	(10,168)	(7,923)	(286,900)
Acquired on acquisition of a subsidiary *(note 39)*	—	—	—	5,598	16	—	—	5,614
Additions	—	—	86,163	204,163	3,745	—	127,938	422,009
Transfer to inventories	—	—	—	—	—	(40,673)	—	(40,673)
Disposals	—	—	(1,522)	(92,835)	(1,677)	—	—	(96,034)
Write-off	—	—	(11,213)	(31,423)	(5,774)	—	—	(48,410)
At 31 December 2022	15,648	1,261,405	819,792	3,602,216	89,352	45,340	160,734	5,994,487
DEPRECIATION AND IMPAIRMENT								
At 1 January 2021	—	382,308	506,379	2,686,698	64,957	20,553	12,134	3,673,029
Currency realignment	—	3,449	4,462	(6,834)	(1,082)	766	—	761
Provided for the year	—	28,619	65,288	292,876	8,997	23,396	—	419,176
Transfer to inventories	—	—	—	—	—	(1,787)	—	(1,787)
Eliminated on disposals	—	—	(3,687)	(136,834)	(471)	—	—	(140,992)
Eliminated on write-off	—	—	(110,365)	(133,209)	(4,780)	—	—	(248,354)
At 31 December 2021	—	414,376	462,077	2,702,697	67,621	42,928	12,134	3,701,833
Currency realignment	—	(21,426)	(3,070)	(147,455)	(6,027)	(4,004)	—	(181,982)
Provided for the year	—	27,236	76,576	259,419	8,130	17,315	—	388,676
Transfer to inventories	—	—	—	—	—	(29,482)	—	(29,482)
Eliminated on disposals	—	—	(1,232)	(73,835)	(1,381)	—	—	(76,448)
Eliminated on write-off	—	—	(8,049)	(25,070)	(5,626)	—	—	(38,745)
At 31 December 2022	—	420,186	526,302	2,715,756	62,717	26,757	12,134	3,763,852
CARRYING VALUES								
At 31 December 2022	15,648	841,219	293,490	886,460	26,635	18,583	148,600	2,230,635
At 31 December 2021	15,969	923,789	286,751	995,909	32,792	53,253	28,585	2,337,048

The above items of property, plant and equipment, except for freehold land, leasehold improvements in progress and construction in progress, after taking into account the residual values are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% to 4.5% or over the lease terms if shorter
Leasehold improvements	10% to $33^1/_3$% or over the lease terms if shorter
Plant and machinery	10% to $33^1/_3$%
Furniture, fixtures and equipment	10% to 20%
Machinery for leases	25%

As at 31 December 2022 and 2021, the directors of the Company are of the opinion that there is no impairment should be provided for the property, plant and equipment nor any indicator that impairment previously recorded should be reversed.

18. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Land and buildings HK$'000	Motor vehicles HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2022					
Carrying amount	**236,104**	**1,290,231**	**14,038**	**12,968**	**1,553,341**
As at 31 December 2021					
Carrying amount	253,917	1,315,306	13,771	17,473	1,600,467
For the year ended 31 December 2022					
Depreciation charge	**7,736**	**206,662**	**10,596**	**5,927**	**230,921**
Expense relating to short-term leases					**7,127**
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets					**6,358**
Total cash outflow for leases *(Note i)*					**268,513**
Additions to right-of-use assets					**220,758**
For the year ended 31 December 2021					
Depreciation charge	7,781	190,834	12,138	5,813	216,566
Expense relating to short-term leases					10,968
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets					5,043
Total cash outflow for leases *(Note i)*					260,759
Additions to right-of-use assets					244,233

Note:

(i) Amount includes payments of principal of lease liabilities, short-term leases and low-value assets of HK$218,849,000 (2021: HK$207,580,000) and interest portion of HK$49,664,000 (2021: HK$53,179,000) of lease liabilities. These amounts are presented in operating or financing cash flows.

For both years, the Group leases leasehold lands, land and buildings, motor vehicles and others for its operations. Except for land leased from the Singapore Housing & Development Board for a period of 30 years (renewable upon mutual agreement on expiry for a further term of 30 years), other leases are negotiated for an average term of 14 months to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. RIGHT-OF-USE ASSETS (CONTINUED)

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for land and buildings, motor vehicles and equipment. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Extension and termination options

The Group has extension and/or termination options in a number of leases for various premises, motor vehicles and others. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options in which the Group is not reasonably certain to exercise and (ii) termination options in which the Group is not reasonably certain not to exercise is summarized below:

	Lease liabilities recognized as at 31 December 2022 HK$'000	**Potential future lease payments not included in lease liabilities as at 31 December 2022 (undiscounted) HK$'000**	Lease liabilities recognized as at 31 December 2021 HK$'000	Potential future lease payments not included in lease liabilities as at 31 December 2021 (undiscounted) HK$'000
Premises	**780,937**	**22,938**	854,892	27,812
Motor vehicles	**1,661**	**529**	2,584	373
Others	**2,820**	**86**	7,672	210

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2022 and 2021, there is no such triggering event.

19. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2021	158,394
Currency realignment	(1,945)
At 31 December 2021	156,449
Currency realignment	(10,657)
At 31 December 2022	145,792
DEPRECIATION	
At 1 January 2021	73,131
Currency realignment	(2,406)
Provided for the year	5,273
At 31 December 2021	75,998
Currency realignment	(4,681)
Provided for the year	4,990
At 31 December 2022	76,307
CARRYING VALUES	
At 31 December 2022	69,485
At 31 December 2021	80,451

The Group leases out various offices and manufacturing plants under operating leases with rental payable monthly.

The Group's property interests held to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2022 were HK$217,996,000 (2021: HK$232,057,000). The fair value has been arrived at based on valuation carried out by Cushman & Wakefield Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived at using income capitalization approach. The income capitalization approach is calculated by capitalizing the rental income derived from the existing tenancies with due provision for any reversionary income potential. There has been no change of the valuation technique used from the prior year.

19. INVESTMENT PROPERTIES (CONTINUED)

In estimating the fair value of the properties, the highest and best use of the properties is their current use. Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Fair value at level 3 hierarchy as at	
	2022 HK$'000	2021 HK$'000
Research and development center located in the PRC	**108,256**	114,115
Manufacturing plant building located in Malaysia	**109,740**	117,942
	217,996	232,057

Investment properties are depreciated over the lease terms of 48 years or 22 years (2021: 48 years or 22 years) on a straight-line basis.

20. GOODWILL

	HK$'000
COST	
At 1 January 2021	1,181,626
Currency realignment	(7,675)
At 31 December 2021	1,173,951
Arising on acquisition of a subsidiary *(note 39)*	22,185
Currency realignment	(20,403)
At 31 December 2022	1,175,733
IMPAIRMENT	
At 1 January 2021	22,596
Impairment loss recognized for the year *(note 22)*	224,824
At 31 December 2021 and 31 December 2022	247,420
CARRYING VALUES	
At 31 December 2022	928,313
At 31 December 2021	926,531

Particulars regarding impairment testing on goodwill are disclosed in note 22.

21. INTANGIBLE ASSETS

	Sales backlog HK$'000	Trade name HK$'000	Technology HK$'000	Customer bases HK$'000	Licenses and similar rights HK$'000	Total HK$'000
COST						
At 1 January 2021	51,026	396,080	604,264	492,725	114,989	1,659,084
Currency realignment	(149)	221	(4,760)	(3,420)	(6,643)	(14,751)
Additions	—	—	—	—	3,459	3,459
Write-off	(50,877)	—	—	—	—	(50,877)
At 31 December 2021	—	396,301	599,504	489,305	111,805	1,596,915
Currency realignment	20	(2,201)	(11,423)	(5,309)	(5,469)	(24,382)
Acquired on acquisition of a subsidiary *(note 39)*	4,679	—	29,632	59,265	—	93,576
Additions	—	—	—	—	41,066	41,066
Write-off	(4,699)	—	—	—	—	(4,699)
At 31 December 2022	—	394,100	617,713	543,261	147,402	1,702,476
AMORTIZATION						
At 1 January 2021	50,668	—	203,369	161,497	104,114	519,648
Currency realignment	(162)	—	(1,823)	(609)	(6,029)	(8,623)
Charge for the year	371	—	53,903	41,223	6,271	101,768
Eliminated on write-off	(50,877)	—	—	—	—	(50,877)
At 31 December 2021	—	—	255,449	202,111	104,356	561,916
Currency realignment	—	—	(3,790)	(1,861)	(4,865)	(10,516)
Charge for the year	4,699	—	56,383	47,719	5,211	114,012
Eliminated on write-off	(4,699)	—	—	—	—	(4,699)
At 31 December 2022	—	—	308,042	247,969	104,702	660,713
CARRYING VALUES						
At 31 December 2022	—	394,100	309,671	295,292	42,700	1,041,763
At 31 December 2021	—	396,301	344,055	287,194	7,449	1,034,999

The intangible assets represent sales backlog, trade name, technology, customer bases, and licenses and similar rights of software for machines used in production.

The trade name is an intangible asset with indefinite useful life as the directors of the Company are of opinion that the Group could use the trade name continuously and has the ability to do so. The other intangible assets are amortized on a straight-line basis at below rates per annum:

Technology	7% to 10%
Customer bases	7% to 10%
Licenses and similar rights	20% to $33^1/_3$%

The sales backlog are amortized over completion of the related sales orders.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

For the purposes of impairment testing, goodwill and trade name with indefinite useful life set out in notes 20 and 21, respectively, have been allocated to CGUs, comprising certain subsidiaries in the semiconductor solutions and surface mount technology solutions businesses. The carrying amounts of goodwill and trade name as at 31 December 2022 and 2021 allocated to these CGUs are as follows:

	Goodwill		Trade name	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Semiconductor solutions business				
AMICRA *(defined below)*	**—**	—	**38,332**	38,342
NEXX *(defined below)*	**217,746**	217,805	**78,617**	78,638
AEi *(defined below)*	**22,181**	—	**—**	—
	239,927	217,805	**116,949**	116,980
Surface mount technology solutions business				
Placement and printing business	**407,775**	407,885	**246,073**	246,139
Manufacturing execution software business				
Critical Manufacturing *(defined below)*	**188,882**	200,624	**25,414**	26,994
SKT *(defined below)*	**91,729**	100,217	**5,664**	6,188
	688,386	708,726	**277,151**	279,321
	928,313	926,531	**394,100**	396,301

In addition to goodwill and trade name above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill and trade name are also included in the respective CGU for the purpose of impairment assessment.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Semiconductor solutions business

The recoverable amount of the CGUs have been determined based on a value in use calculation. These calculations use cash flow projections based on financial budgets approved by the directors covering a five-year period, and the pre-tax discount rate of 19.4% (2021: 19.4%) for ASMPT AMICRA GmbH (formerly known as ASM AMICRA Microtechnologies GmbH) ("AMICRA"), 17.3% (2021: 17.2%) for ASMPT NEXX, Inc. (formerly known as ASM NEXX, Inc.) ("NEXX") and 16.6% for ASMPT AEi, Inc. (formerly known as Automation Engineering, Inc.) ("AEi"). The cash flows beyond the five-year period are extrapolated using a steady 3% (2021: 3%) growth rate for both AMICRA, NEXX and AEi. These growth rates are based on the economic outlook and relevant industry growth forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

For AMICRA business, the Group recognized a non-cash full impairment of HK$224,824,000 on goodwill of AMICRA included in the "other gains and losses" line item in profit or loss during the year ended 31 December 2021. Management of the Group determines that there are no further impairments of this CGU and no other write-down of the assets of AMICRA is considered necessary during the year ended 31 December 2022.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE (CONTINUED)

Semiconductor solutions business (Continued)

For NEXX business, management of the Group determines that there are no impairments of its CGU containing goodwill or trade name with indefinite useful life during the years ended 31 December 2022 and 2021.

For AEi business, management of the Group determines that there are no impairment of goodwill during the year ended 31 December 2022.

Surface mount technology solutions business

The recoverable amount of the CGUs have been determined based on a value in use calculation. For placement and printing business, that calculation uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and the pre-tax discount rate of 20.5% (2021: 20.8%). The cash flows beyond the five-year period are extrapolated using a steady 2.5% (2021: 2.5%) growth rate.

For Critical Manufacturing, S.A. ("Critical Manufacturing") and Shenzhen Shen Ke Te Information Technology Co., Ltd ("SKT") under manufacturing execution software business, these calculations use cash flow projections based on financial budgets approved by the directors covering a five-year period, and the pre-tax discount rate of 21.5% (2021: 21.9%) for Critical Manufacturing and 17.7% (2021: 18.4%) for SKT. The cash flows beyond the five-year period are extrapolated using a steady 3% (2021: 3%) growth rate for Critical Manufacturing and SKT. These growth rates are based on the economic outlook and relevant industry growth forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

For surface mount technology solutions business, management of the Group determines that there are no impairments of its CGUs containing goodwill or trade name with indefinite useful life during the years ended 31 December 2022 and 2021.

Except for CGU of AMICRA to which goodwill has been fully impaired during the year ended 31 December 2021, management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the CGUs to exceed their respective recoverable amount.

23. OTHER INVESTMENTS

	2022 HK$'000	2021 HK$'000
Unlisted investments — Equity securities	**38,051**	64,202

The above unlisted equity investments represent investment in unlisted equity investments issued by private entities incorporated in Germany and England which are denominated in Euro and US dollar respectively. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as the Group intends to hold these unlisted equity investments for long term strategic purposes.

During the year, net fair value loss of HK$35,279,000 (2021: HK$49,735,000) was recognized in other comprehensive income.

24. INTEREST IN A JOINT VENTURE/AMOUNTS DUE FROM (TO) A JOINT VENTURE AND ITS AFFILIATES

	2022 HK$'000	2021 HK$'000
Cost of investment in a joint venture	**1,240,001**	1,240,001
Share of post-acquisition profit and other comprehensive income	**275,965**	146,203
	1,515,966	1,386,204

The amounts due from and to a joint venture and its affiliates are unsecured, non-interest bearing, and repayable on demand.

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2022	2021	**2022**	2021	
Advanced Assembly Materials International Limited ("AAMI")	Hong Kong	Hong Kong	**44.44%**	44.44%	**44.44%**	44.44%	Investment holding and trading of materials

During the year ended 31 December 2020, the Group has deemed disposed of 55.56% of AAMI and AAMI became a joint venture of the Group with goodwill of HK$53,880,000 recognized.

The number of shares in AAMI held by the Group shall be adjusted in year 2024 based on whether AAMI meets certain performance targets with reference to the average adjusted earnings before interest, corporate income tax and certain items as set out in shareholders' agreement with the investors (the "Average Adjusted EBIT") of AAMI during 2021 to 2023. Depending on whether AAMI meets mutually-agreed Average Adjusted EBIT targets, the shareholding percentage of the Group in AAMI may be increased to a maximum of 49% or decreased to a minimum of 37.5% by AAMI's issuance of new shares. Additionally, an incentive fee of US$5,100,000 will be paid to the Group if AAMI achieves mutually-agreed Average Adjusted EBIT target. The management of the Group considered the fair value of these instruments was immaterial to be recognized as at 31 December 2020. As at 31 December 2022, the management of the Group assessed the fair value of the derivative arising from the share adjustment on the earn-out clause and the contingent consideration receivable amounted to HK$156,300,000 and HK$39,765,000 (2021: HK$144,386,000 and HK$39,775,000), respectively. These instruments are included in the derivative financial instruments and other financial assets of HK$156,300,000 and HK$39,765,000 (2021: HK$144,386,000 and HK$39,775,000) respectively on the face of the consolidated statement of financial position.

Pursuant to the relevant shareholders' agreement, the Group has the power to appoint two directors and the joint venture's partners have the power to appoint another three directors to form the board of directors of AAMI, and the decisions about the relevant activities of AAMI require the unanimous consent of both the Group and the joint venture partners.

24. INTEREST IN A JOINT VENTURE/AMOUNTS DUE FROM (TO) A JOINT VENTURE AND ITS AFFILIATES (CONTINUED)

Summarized financial information of a material joint venture

Summarized financial information in respect of the joint venture is set out below. The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

AAMI

	2022 HK$'000	2021 HK$'000
Current assets	**2,258,036**	2,207,123
Non-current assets	**2,148,728**	1,999,051
Current liabilities	**(813,620)**	(903,980)
Non-current liabilities	**(303,121)**	(304,165)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**991,418**	881,110
Current financial liabilities (excluding trade and other payables and provisions)	**(45,181)**	(40,757)
Non-current financial liabilities (excluding other payables and provisions)	**(156,950)**	(171,040)

	2022 HK$'000	2021 HK$'000
Revenue	**3,251,783**	3,080,754
Profit for the year	**367,547**	309,899
Other comprehensive (expense) income for the year	**(75,553)**	19,090
The above profit for the year includes the following:		
Depreciation and amortization	**(180,771)**	(187,245)
Interest income	**7,627**	2,394
Interest expense	**(6,155)**	(2,546)
Income tax expense	**(97,147)**	(78,050)

24. INTEREST IN A JOINT VENTURE/AMOUNTS DUE FROM (TO) A JOINT VENTURE AND ITS AFFILIATES (CONTINUED)

Summarized financial information of a material joint venture (Continued)

AAMI (Continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in AAMI recognized in the consolidated financial statements:

	2022 HK$'000	2021 HK$'000
Net assets of AAMI	**3,290,023**	2,998,029
Proportion of the Group's ownership interest in AAMI	**44.44%**	44.44%
The Group's share of net assets of AAMI	**1,462,086**	1,332,324
Goodwill	**53,880**	53,880
Carrying amount of the Group's interest in AAMI	**1,515,966**	1,386,204

25. INVENTORIES

The carrying amount of the inventories, net of written down is made of below:

	2022 HK$'000	2021 HK$'000
Raw materials	**2,289,800**	2,058,321
Work in progress	**3,740,679**	3,896,169
Finished goods	**1,419,684**	1,501,285
	7,450,163	7,455,775

26. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables *(Note)*	**4,114,370**	5,375,584
Value-added tax recoverable	**225,657**	324,017
Other receivables, deposits and prepayments	**203,645**	176,261
	4,543,672	5,875,862

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2022 HK$'000	2021 HK$'000
Not yet due *(Note)*	**2,951,052**	4,466,823
Overdue within 30 days	**450,613**	597,586
Overdue 31 to 60 days	**160,510**	174,483
Overdue 61 to 90 days	**212,935**	60,948
Overdue over 90 days	**339,260**	75,744
	4,114,370	5,375,584

Note: The amount included notes receivables amounting to HK$144,179,000 (2021: HK$1,344,979,000) are held by the Group for future settlement of trade receivables. All notes receivables received by the Group are with a maturity period of less than one year.

As at 1 January 2021, trade receivables amounted to HK$3,807,458,000.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2022 are set out in note 44.

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 longer.

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$1,163,318,000 (2021: HK$908,761,000) are past due as at the reporting date. Out of the past due balances, HK$339,260,000 (2021: HK$75,744,000) has been past due 90 days or more, and they are not considered as in default. The Group considers the information developed internally or obtained from external sources and considered that the debtors are likely to pay its creditors.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Shown as current				
Foreign currency forward contracts	**49,479**	**14,253**	1,482	41,585
Shown as non-current				
Interest rate swaps	**58,720**	**—**	—	18,793
Share adjustment on earn-out clause in a joint venture *(note 24)*	**156,300**	**—**	144,386	—
	215,020	**—**	144,386	18,793
	264,499	**14,253**	145,868	60,378

During the year ended 31 December 2020, the Group entered into interest rate swap contracts with a commercial bank to minimize its exposure to cash flow changes of its floating-rate Hong Kong dollars bank loans from bank by swapping floating interest rates to fixed interest rates. The terms of these contracts were negotiated to match with those of the hedged bank loans with the same notional amounts to principal amounts of bank loans, currency and interest rate index. The directors consider that the interest rate swap contracts are highly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose.

The hedges were highly effective in hedging cash flow exposure to interest rate movements. Fair value change on hedging instruments in cash flow hedge of gain of HK$77,513,000 for the year ended 31 December 2022 (2021: gain of HK$37,011,000) have been recognized in other comprehensive income and accumulated in equity. The directors expected the accumulated sum is to be released to profit or loss at various dates upon settlements of interests in the coming maturity periods after the reporting period.

Included in borrowings as disclosed in note 33 were bank loans of HK$1,750,000,000 (2021: HK$1,750,000,000) which were under cash flow hedges and the major terms of the interest rate swap contracts under cash flow hedges as at 31 December 2022 and 2021 are as follows:

Notional amount	Maturity	Receive floating	Pay fixed
HK$1,250,000,000	21 March 2024	1-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.1%	2.38%
HK$500,000,000	21 March 2024	1-month HIBOR plus 1.1%	2.315%

The foreign currency forward contracts as at 31 December 2022 were mainly related to the purchase of Euro and the sale of US dollar at contract rates ranging from US$1.00219 to US$1.13941 (2021: US$1.12784 to US$1.23046) per one Euro with future maturity dates ranging from 19 January 2023 to 19 December 2023 (2021: 20 January 2022 to 21 December 2022) at an aggregate notional amount of US$217,000,000, equivalent to approximately HK$1,691,949,000 (2021: US$154,000,000, equivalent to approximately HK$1,201,061,000).

28. LONG-TERM BANK DEPOSITS, PLEDGED BANK DEPOSITS, BANK DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS AND CASH AND CASH EQUIVALENTS

The long-term bank deposits with maturity of more than 1 year as at 31 December 2022 carry fixed interest rate which range from 0.55% to 1.5% per annum.

The pledged bank deposits as at 31 December 2022 and 2021 represent bank deposits pledged to a bank as security for issuance of guarantee relating to business operations.

Bank balances and bank deposits with original maturity of more than three months as at 31 December 2022 carry interest at market rates which range from 0% to 4.55% (2021: 0% to 3.65%) per annum.

29. TRADE LIABILITIES AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**1,400,310**	2,019,439
Deferred income *(Note a)*	**166,677**	155,719
Accrued salaries and wages	**285,712**	296,063
Other accrued charges	**657,104**	813,977
Payables arising from acquisition of property, plant and equipment	**73,760**	80,931
Gross obligation to acquire non-controlling interest *(note 38)*	**44,780**	—
Other payables *(Note b)*	**251,066**	242,263
	2,879,409	3,608,392

Notes:

(a) The amounts mainly represent the spare credits that grant customers the right to purchase certain amounts of spare parts for free, which are contract liabilities.

As at 1 January 2021, deferred income amounted to HK$118,925,000. The deferred income as at 1 January 2021 and 1 January 2022 were fully recognized as revenue during the years ended 31 December 2021 and 31 December 2022, respectively.

(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:

	2022 HK$'000	2021 HK$'000
Not yet due	**1,013,692**	1,701,316
Overdue within 30 days	**165,451**	203,178
Overdue 31 to 60 days	**82,488**	83,762
Overdue 61 to 90 days	**67,439**	10,214
Overdue over 90 days	**71,240**	20,969
	1,400,310	2,019,439

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

30. ADVANCE PAYMENTS FROM CUSTOMERS

The amounts represent advance payment received from customers in relation to their purchase orders of equipment placed with the Group. At 31 December 2021 and 2022, the advance payments from customers are contract liabilities and the Group does not expect to refund any of the advance payments.

When the Group receives a deposit before the delivery of equipment, this will give rise to contract liabilities at the start of the contract, until the revenue is recognized on the relevant contract. The Group typically receives a certain percentage of deposit on acceptance of purchase orders.

As at 1 January 2021, advance payments from customers amounted to HK$1,239,316,000. The advance payments from customers as at 1 January 2021 and 1 January 2022 were fully recognized as revenue during the years ended 31 December 2021 and 31 December 2022, respectively.

31. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**188,807**	197,378
Within a period of more than one year but not more than two years	**173,681**	168,687
Within a period of more than two years but not more than five years	**470,064**	455,137
Within a period of more than five years	**676,650**	725,165
	1,509,202	1,546,367
Less: Amount due for settlement within 12 months shown under current liabilities	**(188,807)**	(197,378)
Amount due for settlement after 12 months shown under non-current liabilities	**1,320,395**	1,348,989

The weighted average incremental borrowing rates applied to lease liabilities is 3.15% (2021: 3.35%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Renminbi HK$'000	**Singapore dollar HK$'000**	**South Korean Won HK$'000**	**Others HK$'000**
As at 31 December 2022	**236,333**	**79,034**	**10,633**	**11,742**
As at 31 December 2021	273,566	80,857	11,430	13,640

32. PROVISIONS

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

	2022 HK$'000	2021 HK$'000
Current	**333,537**	351,944
Non-current	**54,453**	53,005
	387,990	404,949

The Group's provisions mainly comprise warranty provision of HK$282,189,000 (2021: HK$290,343,000). The movement of the warranty provision and restructuring provision are as follows:

	Warranty provision HK$'000	**Restructuring provision HK$'000**
At 1 January 2021	270,096	37,900
Currency realignment	(4,271)	1,256
Additions	246,553	24,413
Utilization	(222,035)	(22,993)
At 31 December 2021	290,343	40,576
Currency realignment	(11,545)	(3,285)
Arising on acquisition of a subsidiary *(note 39)*	2,106	—
Additions	181,298	—
Utilization	(180,013)	(16,368)
At 31 December 2022	282,189	20,923

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

A subsidiary of the Group was involved in a litigation with a third party in relation to the infringement of a patent for which the High Court ruled in favour of the third party. A first tranche of hearings at the High Court for the assessment damages was held in March 2021. A second tranche of hearings was held in October 2022. Written arguments have submitted to the court, and the parties are now awaiting a decision from the court regarding the amount of damages payable by the subsidiary to the third party.

Based on the subsidiary's consultant's report for the assessment of damages and the directors' estimate of the expenditure required to settle the Group's obligations in relation to the litigation, a provision of approximately HK$38,985,000 (31 December 2021: HK$39,029,000) was made.

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

33. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
The carrying amount of the bank borrowings are repayable:		
Within one year	**250,000**	448,588
Within a period of more than one year but not exceeding two years	**2,000,000**	250,000
Within a period of more than two years but not exceeding five years	—	2,000,000
	2,250,000	2,698,588
Less: Amounts due within one year shown under current liabilities	**(250,000)**	(448,588)
Amounts shown under non-current liabilities	**2,000,000**	2,250,000
Fixed-rate borrowings	—	442
Variable-rate borrowings *(Note)*	**2,250,000**	2,698,146
	2,250,000	2,698,588

Note: Included in variable-rate borrowings were bank loans of HK$1,750,000,000 (2021: HK$1,750,000,000) which were under cash flow hedges and the major terms of the interest rate swap contracts under cash flow hedges at the end of the reporting period as disclosed in note 27.

The Group's bank borrowings are unsecured and unguaranteed.

The Group's variable-rate bank borrowings bear interest at HIBOR plus a margin per annum.

The ranges of effective interest rates on the Group's bank borrowings are as follows:

	2022	2021
Effective interest rates:		
Fixed-rate bank borrowings	—	2.75%
Variable-rate bank borrowings	**3.11%**	1.47% to 2.04%

34. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2022 '000	2021 '000	**2022 HK$'000**	2021 HK$'000
Issued and fully paid:				
At 1 January	**412,705**	410,796	**41,270**	41,079
Shares issued under the Scheme	**2,634**	1,909	**264**	191
Shares repurchased and cancelled	**(2,467)**	—	**(247)**	—
At 31 December	**412,872**	412,705	**41,287**	41,270

The authorized share capital of the Company is HK$50 million, comprising 500 million shares of HK$0.10 each, at 31 December 2022 and 2021 and 1 January 2021.

During the year ended 31 December 2022, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchased	Number of shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
August	1,005,200	66.40	60.55	63,482
September	1,462,200	63.20	55.65	88,453
October	100,000	44.85	43.10	4,402
November	267,300	46.20	42.55	11,862
	2,834,700			168,199

During the year, 2,467,400 shares of the Company repurchased were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

As at 31 December 2022, 367,300 shares that repurchased by the Company were not yet cancelled. The total amount paid for the repurchase of such shares was HK$16,264,000 and has been deducted from shareholders' equity. The shares were subsequently cancelled on 10 February 2023. The amount paid for these 367,300 shares were recognized as treasury share reserve at 31 December 2022.

During the year, 2,633,700 (2021: 1,909,200) shares were issued at par to eligible employees and members of management under the Scheme (as defined in note 35).

35. EMPLOYEE SHARE INCENTIVE SCHEME

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

During the year ended 31 December 2021, the directors resolved to contribute HK$215 million to the Scheme, pursuant to which the Trustee to subscribe or purchase 2,251,100 shares in the Company for the benefits of certain employees and members of the management of the Group who shall remain in employment within the Group upon the expiration of vesting period on 15 December 2021 (the "2021 Vesting Date"). The Trustee (i) purchased a total of 275,100 shares in the Company on the Stock Exchange, and (ii) subscribed 1,852,900 shares in the Company, prior to the 2021 Vesting Date. On the 2021 Vesting Date, the Trustee transferred 266,400 shares purchased on the Stock Exchange and 1,851,600 subscribed shares to certain Selected Employees who are connected persons and not connected persons of the Company respectively. On the same day, the Company also issued and allotted 56,300 new shares to certain Selected Employees who are not connected persons of the Company. 76,800 share entitlements were forfeited and unallocated by the Company, which comprised 8,700 shares entitlements and 68,100 share entitlements previously awarded to Selected Employees who are connected persons and not connected persons of the Company respectively.

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

During the year ended 31 December 2022, the directors resolved to contribute HK$240 million to the Scheme, pursuant to which the Trustee to subscribe or purchase 3,148,600 shares in the Company for the benefits of certain employees and members of the management of the Group who shall remain in employment within the Group upon the expiration of vesting period on 15 December 2022 (the "2022 Vesting Date"). The Trustee (i) purchased a total of 429,700 shares in the Company on the Stock Exchange, and (ii) subscribed 2,633,700 shares in the Company, prior to the 2022 Vesting Date. On the 2022 Vesting Date, the Trustee transferred 438,400 shares purchased on the Stock Exchange (included 8,700 shares purchased during the year ended 31 December 2021) and 2,633,700 subscribed shares to certain Selected Employees who are connected persons and not connected persons of the Company respectively. During the year ended 31 December 2022, 76,500 share entitlements were forfeited and unallocated by the Company.

Share-based payments

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

The Group recognized share-based payments amounting to HK$212,743,000 for the year ended 31 December 2022 (2021: HK$210,255,000) in relation to the shares awarded pursuant to the Scheme by the Company, such an amount being determined by the fair values of the shares awarded at the award dates.

35. EMPLOYEE SHARE INCENTIVE SCHEME (CONTINUED)

Share-based payments (Continued)

Movements of the shares awarded to Selected Employees under the Scheme during the year ended 31 December 2022 are as follows:

		Number of shares					
Date of award	Vesting period	At 1 January 2022	Awarded on 15 March 2022	Allocated as Awarded Shares during the year	Shares issued and vested during the year	Share entitlements forfeited by 15 December 2022	At 31 December 2022
15 March 2022	15 March 2022 to 15 December 2022	—	3,148,600	(438,400)	(2,633,700)	(76,500)	—

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

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

Movements of Awarded Shares purchased are as follows:

	Number of shares purchased '000	Cost of purchase HK$'000
At 1 January 2021	—	—
Shares purchased from the market during the year	275	26,709
Awarded Shares vested	(266)	(25,864)
At 31 December 2021	9	845
Shares purchased from the market during the year	429	33,280
Awarded Shares vested	(438)	(34,125)
At 31 December 2022	—	—

36. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The plans for employees in Hong Kong are registered under the ORSO Scheme and a MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 12.5% of the employee's basic salary, depending on the length of services with the Group.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee per month, which contribution is matched by the employees.

The employees of the Group in Mainland China, Singapore and Malaysia are members of state-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions. The assets of the schemes are held separately from those of the Group in funds under the control of trustees, and in the case of Singapore and Malaysia, by the Central Provident Fund Board of Singapore and Employee Provident Fund of Malaysia respectively.

The amount charged to profit or loss of HK$249,603,000 (2021: HK$252,130,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans. For the years ended 31 December 2022 and 2021, there were no forfeitures arising from employees leaving the Group prior to completion of qualifying service period.

At 31 December 2022 and 2021, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

Defined benefit plans

Certain group entities operate funded defined benefits pension scheme for all their qualified employees.

Pension benefits provided by these group entities are currently organized primarily through defined benefit pension plans which cover virtually most of the German employees and certain foreign employees of these group entities.

Furthermore, these group entities provide other post-employment benefits, which consist of transition payments and death benefits to German employees after retirement. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans under HKFRSs.

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

The plan of these group entities exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Defined benefit plans determine the entitlements of their beneficiaries. An employee's final benefit entitlement at regular retirement age may be higher than the fixed benefits at the reporting date due to future compensation or benefit increases. The net present value of this ultimate future benefit entitlement for service already rendered is represented by the Defined Benefit Obligation ("DBO"), which is calculated with consideration of future compensation increases by actuaries. The DBO is calculated based on the projected unit credit method and reflects the net present value as of the reporting date of the accumulated pension entitlements of active employees, former employees with vested rights and of retirees and their surviving dependents with consideration of future compensation and pension increases. The most recent actuarial valuation of the DBO plan in Germany was carried out at 31 December 2022 by independent qualified actuaries, Aon Hewitt GmbH, a member of the International Actuarial Association.

In the case of unfunded plans, the recognized pension liability is equal to the DBO adjusted by unrecognized past service cost. In the case of funded plans, the fair value of the plan assets is offset against the benefit obligations. The net amount, after adjusting for the effects of unrecognized past service cost, is recognized as a pension liability or prepaid pension asset.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December	
	2022	2021
Discount rate	**3.00%**	0.90%
Average longevity at retirement age	**63 years**	63 years
Expected rate of compensation increase	**2.25%**	2.25%
Expected rate of pension progression	**2.00%**	1.60%

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans comprise:

	2022 HK$'000	2021 HK$'000
Principal pension benefit plans *(Note a)*	**82,012**	213,854
Other post-employment benefit plans *(Note b)*	**14,726**	18,550
Other retirement benefit obligations *(Note c)*	**2,049**	2,239
	98,787	234,643

Notes:

(a) **Principal pension benefit plans**

A reconciliation of the funded status of the principal pension benefit plans to the amount recognized in the consolidated statement of financial position at 31 December 2022 and 2021 are as follows:

	2022 HK$'000	2021 HK$'000
Fair value of plan assets	**546,508**	618,311
Total present value of DBO		
Defined benefit obligation (funded)	**(622,209)**	(826,359)
Defined benefit obligation (unfunded)	**(6,311)**	(5,806)
Net liability arising from defined benefit obligation	**(82,012)**	(213,854)

The actuarial valuation showed that market value of the plan assets was HK$546,508,000 (2021: HK$618,311,000) and that the actuarial value of these represented 88% (2021: 75%) of the benefits that had accrued to members.

The following table shows the movements in the present value of the plan assets for the years ended:

	2022 HK$'000	2021 HK$'000
At 1 January	**618,311**	605,889
Currency realignment	**(35,883)**	(43,330)
Interest income	**5,472**	2,802
Return on plan assets (excluding amounts included in net interest expenses)	**(72,076)**	22,259
Benefits paid	**(438)**	(1,440)
Employer contribution	**31,122**	32,131
At 31 December	**546,508**	618,311

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

Notes: (Continued)

(a) Principal pension benefit plans (Continued)

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

Asset class	2022 HK$'000	2021 HK$'000
Fixed income and corporate bonds	301,289	343,311
Equity securities	148,462	190,223
Cash and other assets	96,757	84,777
	546,508	618,311

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on defined benefit plan assets for the year ended 31 December 2022 was a net loss of HK$66,604,000 (2021: gain of HK$25,061,000).

The movements in the present value of the DBO for the years ended are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	832,165	901,598
Currency realignment	(48,458)	(64,183)
Current service cost	31,423	35,056
Interest cost	7,639	4,757
Remeasurement (gains) losses		
Actuarial gains arising from changes in financial assumptions	(150,480)	(39,378)
Actuarial (gains) losses arising from experience adjustments	(32,486)	3,298
Actuarial gains arising from changes in demographic assumptions	(149)	(2,024)
Benefits paid	(11,134)	(6,959)
At 31 December	628,520	832,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

Notes: (Continued)

(b) Other post-employment benefit plans

Employees who joined ASM Assembly Systems GmbH & Co. KG ("ASM AS KG"), a subsidiary of the Company located in Germany, on or before 30 September 1983, are entitled to transition payments and death benefits. In respect of the transition payments for the first six months after retirement, participants receive the difference between their final compensation and the retirement benefits payable under the corporate pension plan.

The reconciliation of the funded status of the other post-employment benefit plans to the amount recognized in the consolidated statement of financial position are as follows:

	2022 HK$'000	2021 HK$'000
Defined benefit obligation	**14,726**	18,550

The movements in the present value of the defined benefit obligation for the other post-employment benefits for the years ended are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**18,550**	21,953
Currency realignment	**(1,086)**	(1,572)
Current service cost	**394**	502
Interest cost	**142**	95
Remeasurement (gains) losses		
Actuarial gains arising from changes in financial assumptions	**(989)**	(262)
Actuarial losses (gains) arising from experience adjustments	**368**	(424)
Benefits paid	**(2,653)**	(1,742)
At 31 December	**14,726**	18,550

(c) Other retirement benefit obligations

As at 31 December 2022, the consolidated statement of financial position also includes liabilities for other retirement benefit obligations consisting of liabilities for severance payments in Austria and national pension fund in Korea amounting to HK$2,049,000 (2021: HK$2,239,000).

Significant actuarial assumptions for the determination of the defined obligation of the principal pension benefit plans and other post-employment benefit plans are discount rate and expected rate of pension progression. The sensitivity analyzes below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by HK$30,213,000 (increase by HK$34,277,000) (2021: decrease by HK$52,454,000 (increase by HK$60,500,000)).

- If the expected rate of pension progression increases (decreases) by 50 basis points, the defined benefit obligation would increase by HK$23,849,000 (decrease by HK$21,649,000) (2021: increase by HK$41,163,000 (decrease by HK$37,043,000)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the fund is asset mix based on 40% equity instruments and 60% debt instruments.

There has been no change in the process used by the Group to manage its risks from prior periods.

The Group's subsidiaries fund the service costs expected to be earned on a yearly basis.

The average duration of the benefit obligation at 31 December 2022 is 10.56 years (2021: 13.62 years).

The Group expects to make a contribution of HK$29,922,000 (2021: HK$33,057,000) to the defined benefit plans during the next financial year.

Amount of remeasurement of defined benefit retirement plans, net of tax, recognized in other comprehensive (expense) income are as follows:

For the year ended 31 December 2022

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Remeasurement gains	**111,039**	**621**	**111,660**
Income tax effect	**(36,054)**	**(203)**	**(36,257)**
	74,985	**418**	**75,403**

For the year ended 31 December 2021

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Remeasurement gains	60,363	686	61,049
Income tax effect	(19,812)	(225)	(20,037)
	40,551	461	41,012

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

Amounts recognized in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

For the year ended 31 December 2022

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Service cost:			
Current service cost	31,423	394	31,817
Net interest expense	2,167	142	2,309
Components of defined benefit costs recognized in profit or loss	33,590	536	34,126
Remeasurement losses (gains):			
Return on plan assets (excluding amounts included in net interest expense)	72,076	—	72,076
Actuarial gains arising from changes in financial assumptions	(150,480)	(989)	(151,469)
Actuarial (gains) losses arising from experience adjustments	(32,486)	368	(32,118)
Actuarial gains arising from change in demographic assumptions	(149)	—	(149)
Components of defined benefit costs recognized in other comprehensive income	(111,039)	(621)	(111,660)
Total	(77,449)	(85)	(77,534)

36. RETIREMENT BENEFIT PLANS (CONTINUED)

Defined benefit plans (Continued)

Amounts recognized in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows: (Continued)

For the year ended 31 December 2021

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Service cost:			
Current service cost	35,056	502	35,558
Net interest expense	1,955	95	2,050
Components of defined benefit costs recognized in profit or loss	37,011	597	37,608
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)	(22,259)	—	(22,259)
Actuarial gains arising from changes in financial assumptions	(39,378)	(262)	(39,640)
Actuarial losses (gains) arising from experience adjustments	3,298	(424)	2,874
Actuarial gains arising from change in demographic assumptions	(2,024)	—	(2,024)
Components of defined benefit costs recognized in other comprehensive income	(60,363)	(686)	(61,049)
Total	(23,352)	(89)	(23,441)

Service cost and net interest expense for pension are allocated among functional costs (cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses).

The remeasurement of the net defined benefit liability is included in other comprehensive income.

37. DEFERRED TAXATION

A summary of the major deferred tax assets and liabilities recognized and movements thereon during the current and prior years is as follows:

	Depreciation/ amortization HK$'000 *(Note a)*	Tax losses HK$'000	Retirement benefit obligations HK$'000 *(Note b)*	Inventories HK$'000 *(Note c)*	Trade receivables HK$'000 *(Note c)*	Provisions HK$'000 *(Note b)*	Others HK$'000	Total HK$'000
At 1 January 2021	(258,641)	116,516	162,152	206,656	20,627	34,221	55,221	336,752
Credit (charge) to profit or loss for the year	34,433	(88,155)	4,630	63,584	11,971	17,301	33,399	77,163
Charge to other comprehensive income for the year	—	—	(20,037)	—	—	—	—	(20,037)
Currency realignment	1,365	(1,817)	(11,462)	998	1,093	436	718	(8,669)
At 31 December 2021	(222,843)	26,544	135,283	271,238	33,691	51,958	89,338	385,209
Credit (charge) to profit or loss for the year	9,484	(5,210)	3,632	48,212	16,947	1,283	(19,998)	54,350
Charge to other comprehensive income for the year	—	—	(36,257)	—	—	—	—	(36,257)
Currency realignment	2,206	(2,068)	(8,241)	(8,832)	(1,220)	(1,296)	(2,816)	(22,267)
At 31 December 2022	(211,153)	19,266	94,417	310,618	49,418	51,945	66,524	381,035

Notes:

(a) The deferred tax arose from the temporary difference between the carrying amounts of intangible assets and property, plant and equipment and their tax base.

(b) The deductible temporary difference arising from retirement benefit obligations and provisions would be reversed upon the settlement of the related obligations and utilization of the related provisions.

(c) The deductible temporary difference mainly arising from write-down of inventories and trade receivables and unrealized profit of inventories would be reversed upon write off and reversal of write-down of respective inventories and trade receivables and sales of inventories.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**529,223**	565,883
Deferred tax liabilities	**(148,188)**	(180,674)
	381,035	385,209

37. DEFERRED TAXATION (CONTINUED)

At 31 December 2022, the Group had unused tax losses of HK$673,085,000 (2021: HK$669,885,000), subject to the approval by the relevant tax authorities, available to offset future taxable profits. At 31 December 2022, a deferred tax asset amounting to HK$19,266,000 (2021: HK$26,544,000) was recognized for tax losses amounting to HK$74,323,000 (2021: HK$102,973,000) and no deferred tax was recognized in respect of the remaining tax losses of HK$598,762,000 (2021: HK$566,912,000) due to the unpredictability of future profit streams. At 31 December 2022, included in the unrecognized tax losses are losses of HK$16,564,000 that will expire during 2025 to 2027 (2021: HK$17,450,000 that will expire during 2025 to 2028). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. For certain entities located in other jurisdictions, withholding tax is also imposed on dividend. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of these subsidiaries amounting to HK$6,589,356,000 (2021: HK$5,031,368,000) and accumulated profits of a joint venture attributable to the Group amounting to HK$698,372,000 (2021: HK$456,262,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not be reversed in the foreseeable future.

38. OTHER LIABILITIES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Gross obligation to acquire non-controlling interests *(Note)*	**44,780**	48,924
Other payables and accruals	**50,584**	64,765
	95,364	113,689
Less: Gross obligation to acquire non-controlling interest due within one year included in trade liabilities and other payables *(note 29)*	**(44,780)**	—
Amounts shown under non-current liabilities	**50,584**	113,689

Note: On 18 June 2020, the Group entered into a purchase agreement with a call and put option ("Options") for acquiring the remaining shares of 'SKT' in which the Group is obliged to acquire the remaining 40% non-controlling interests of SKT from the management shareholders (the "SKT Holders") within six months after the end of third anniversary of the acquisition if the options are exercised.

The consideration payable to the SKT Holders is ranging from RMB40,000,000 (equivalent to approximately HK$44,780,000) to RMB190,000,000 (equivalent to approximately HK$225,758,000) which will be calculated by reference to the accumulated operating performance of SKT (i.e. average revenue and average earnings before interest, taxes, depreciation and amortization ("EBITDA")) during the three years ending 31 July 2023. At initial recognition, the expected consideration payable to the SKT Holders arising from the put option to acquire non-controlling interests represents the obligation to deliver the shares to the Group on 6 July 2020 amounting to RMB40,000,000 (equivalent to approximately HK$43,792,000, HK$47,528,000, HK$48,924,000 and HK$44,780,000 on 6 July 2020, 31 December 2020, 31 December 2021 and 31 December 2022 respectively). This amount has been recognized in the consolidated statement of financial position as a gross obligation with a corresponding debit to the non-controlling interests.

39. ACQUISITION OF A SUBSIDIARY

On 30 September 2021, the Group entered into a purchase agreement to acquire 100% equity interest in AEi, a company based in Tewksbury, Massachusetts, USA, at a purchase price of US$23,107,000 (equivalent to approximately HK$180,188,000) ("AEi Acquisition"). AEi engages in the automotive camera active alignment market. The AEi Acquisition was completed on 1 February 2022 and has been accounted for using the acquisition method.

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

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	5,614
Intangible assets	93,576
Inventories	40,503
Trade and other receivables	38,015
Bank balances and cash	673
Trade liabilities and other payables	(18,054)
Advance payments from customers	(218)
Provisions	(2,106)
	158,003
Net cash outflow arising on acquisition:	
Purchase consideration	180,188
Less: Cash and cash equivalents balances acquired	(673)
Consideration payable	(707)
Contingent consideration *(Note)*	—
	178,808
Goodwill arising on acquisition:	
Purchase consideration	180,188
Less: Fair value of identified net assets acquired	(158,003)
	22,185

Note: The contingent consideration arrangement required the Group to pay the seller additional earn-out payments by reference to the operating performance of AEi (i.e. revenue and EBITDA) for the period from 1 January 2021 to 31 December 2022 ("Relevant Period") pursuant to the share purchase agreement. Earn-out payments ranged from US$0 to US$7,500,000 shall be paid to the seller if the revenue of AEi is equal to or exceed the amount of revenue specified in the purchase agreement in the Relevant Period. In accordance to the estimated sales performance and profit forecast of AEi, the directors do not consider it is probable that this payment would be required. The estimated fair value of the contingent consideration is nil.

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

39. ACQUISITION OF A SUBSIDIARY (CONTINUED)

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

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is a loss of HK$10,381,000 attributable to the additional business generated by AEi. Revenue for the year ended 31 December 2022 includes HK$92,902,000 generated from AEi.

Had the acquisition of AEi been completed on 1 January 2022, the total amount of revenue for the year of the Group would have been HK$19,366,275,000, and the amount of the profit for the year would have been HK$2,612,686,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had AEi been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognized amounts of property, plant and equipment at the date of the acquisition.

40. CONTINGENT LIABILITIES

As at 31 December 2022, the Group has provided guarantees amounting to HK$843,000 (2021: HK$1,532,000) to the Singapore government for work permits of foreign workers in Singapore.

41. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**135,800**	235,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

42. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms up to 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental income earned by the Group from its investment property for the year are set out in note 12.

Equipment leasing income earned during the year was HK$39,268,000 (2021: HK$43,941,000). Certain of the Group's machinery held for rental purposes, with a carrying amount of HK$18,583,000 (2021: HK$53,253,000).

Minimum lease payments receivable on leases are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**31,633**	55,951
In the second year	**16,665**	32,425
In the third year	**4,840**	17,277
In the fourth year	**4,731**	6,357
In the fifth year	**—**	6,213
	57,869	118,223

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings, lease liabilities and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortized cost	**8,653,666**	10,359,470
Other investments — equity instruments at FVTOCI	**38,051**	64,202
Derivative financial instruments at FVTPL	**264,499**	145,868
Other financial assets at FVTPL	**39,765**	39,775
Financial liabilities		
Amortized cost	**4,411,978**	5,517,036
Derivative financial instruments at FVTPL	**14,253**	60,378
Gross obligation to acquire non-controlling interests	**44,780**	48,924
Lease liabilities	**1,509,202**	1,546,367

Financial risk management objectives and policies

The Group's major financial instruments include other investments, other financial assets, certain other non-current assets, rental deposits paid, long-term bank deposits, pledged bank deposits, bank deposits with original maturity of more than three months, cash and cash equivalents, trade and other receivables, amounts due from a joint venture and its affiliates, derivative financial instruments, trade liabilities and other payables, other non-current liabilities, amounts due to a joint venture and its affiliates, lease liabilities, gross obligation to acquire non-controlling interests and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 42% and 36% of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the group entities making the sales and the purchases.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Currency	Assets 2022 HK$'000	Assets 2021 HK$'000	Liabilities 2022 HK$'000	Liabilities 2021 HK$'000
The Group					
US dollar *(Note a)*	US$	**2,999,879**	3,455,449	**142,831**	136,521
Euro	EUR	**172,314**	126,067	**73,367**	92,517
Renminbi	RMB	**27,142**	458,104	**416,052**	662,210
Singapore dollar	S$	**88,889**	69,980	**227,877**	229,536
Japanese Yen	JPY	**10,358**	5,055	**72,261**	107,125
British Pound	GBP	**51,396**	111,617	**6,582**	6,140
Others		**51,233**	61,701	**170,387**	235,764
Inter-company balances					
US dollar *(Note b)*	US$	**3,957,251**	3,414,533	**1,027,541**	1,163,964
Euro	EUR	**57,427**	96,296	**20,116**	42,503
Renminbi	RMB	**84,477**	365,023	**18**	30
Singapore dollar	S$	**367**	57	**50**	56
Japanese Yen	JPY	**39,319**	293,957	**5,904**	—
British Pound	GBP	**—**	—	**64,629**	111,396
Others		**60,058**	56,103	**83,097**	123,995
Loan to foreign operations that form parts of a net investment					
US dollar *(Note c)*	US$	**796,491**	793,607	**796,491**	793,607
Euro	EUR	**62,372**	59,183	**—**	—
British Pound	GBP	**283,716**	101,128	**—**	—

Notes:

(a) Included in the balances are US dollar financial assets and financial liabilities of HK$1,777,832,000 and HK$131,117,000 (2021: HK$1,532,059,000 and HK$128,323,000), respectively where Hong Kong dollar is not the functional currency of the relevant group entities.

(b) Included in the balances are US dollar financial assets and financial liabilities of HK$1,882,226,000 and HK$772,983,000 (2021: HK$1,624,463,000 and HK$543,732,000), respectively where Hong Kong dollar is not the functional currency of the relevant group entities.

(c) Included in the balances are US dollar financial liabilities of HK$796,491,000 (2021: HK$793,607,000) where Hong Kong dollar is not the functional currency of the relevant group entities.

The majority of the Group's foreign currency financial assets and financial liabilities are denominated in US dollar. The Hong Kong dollars is pegged to US dollar where Hong Kong dollar is the functional currency of the relevant group entities. For other group entities having significant US dollar financial assets and financial liabilities where Hong Kong dollars is not the functional currency, they have exposure to the foreign currency exchange risk. The management conducts periodic review of the exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed currency risk related to Euro, US dollar, Renminbi, Japanese Yen, Singapore dollar and British Pound.

A subsidiary of the Company entered into several foreign currency forward contracts to manage its exposure to exchange rate fluctuations of the US dollar denominated receivables and bank deposits against its functional currency, Euro (see note 27).

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of the group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency exchange rates. The sensitivity analysis also includes intra-group balances and loans to foreign operations that form part of a net investment where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. The analysis illustrates the impact for a 5% strengthening of the functional currency of the relevant group entities against the relevant foreign currency and a positive and negative number below indicates an increase and a decrease in profit and exchange reserve respectively. For a 5% weakening of the functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the profit and exchange reserve.

	Euro impact (i)		US dollar impact (ii)		Renminbi impact (iii)		Japanese Yen impact (iv)		Singapore dollar impact (v)		British Pound impact (vi)	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
(Decrease) increase in post-tax profit	**(5,223)**	(2,659)	**(111,555)**	(95,745)	**10,635**	(11,591)	**1,303**	(9,095)	**6,472**	7,400	**826**	247
(Decrease) increase in translation reserve	**(2,526)**	(2,397)	**29,868**	29,363	**–**	–	**–**	–	**–**	–	**(12,906)**	(4,222)

(i) This is mainly attributable to the exposure on outstanding bank balances, trade receivables, trade liabilities and other payables, lease liabilities, inter-company balances and loans to foreign operations denominated in Euro at the year end.

(ii) This is mainly attributable to the exposure on outstanding bank balances, trade and other receivables, trade liabilities and other payables, lease liabilities, inter-company balances and loans to foreign operations denominated in US dollar at the year end.

(iii) This is mainly attributable to the exposure on outstanding bank balances, other receivables, rental deposit, trade liabilities and other payables, lease liabilities and inter-company balances denominated in Renminbi at the year end.

(iv) This is mainly attributable to the exposure on outstanding bank balances, trade liabilities and other payables and inter-company balances denominated in Japanese Yen at the year end.

(v) This is mainly attributable to the exposure on outstanding bank balances, other receivables, trade liabilities and other payables, lease liabilities and inter-company balances denominated in Singapore dollar at the year end.

(vi) This is mainly attributable to the exposure on outstanding bank balances, trade receivables, trade liabilities and other payables, inter-company balances and loans to foreign operations denominated in British Pound at the year end.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to long-term bank deposits, pledged bank deposits (see note 28), fixed-rate bank borrowings (see note 33) and lease liabilities (see note 31). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits/balances and bank borrowings. In order to keep the Group's bank loans at fixed rates, the Group entered into interest rate swaps to hedge against its exposures to changes in cash flows of certain bank loans. The critical terms of these interest rate swaps are the same to those of hedged bank loans. Interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see note 27 for details).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's variable-rate bank borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative variable-rate instruments at the end of the reporting period. For interest bearing bank deposits and bank borrowings, the analysis is prepared assuming the amount of assets and liabilities outstanding at the end of the reporting period were outstanding for the whole period. A 5 basis points (2021: 5 basis points) increase is used for bank deposits and 50 basis points (2021: 50 basis points) increase and decrease is used for bank borrowings when reporting interest rate risk internally to key management personnel. If interest rates had been 5 basis points and 50 basis points higher for bank deposits and bank borrowings (excluding bank loans under cash flow hedges of HK$1,750,000,000 (2021: HK$1,750,000,000)), respectively, or 50 basis points lower for bank borrowings (excluding bank loans under cash flow hedges of HK$1,750,000,000 (2021: HK$1,750,000,000) and all of other variables were held constant, post-tax profit for the year ended 31 December 2022 would decrease/increase by approximately HK$1,908,000 (2021: HK$3,529,000) and HK$2,303,000 (2021: HK$3,945,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its certain bank balances and variable-rate borrowings which are not hedged against their exposures to cash flow interest rate risk at the end of the reporting period.

Credit risk management and impairment assessment

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2022 primarily attributable to trade and other receivables, long-term bank deposits, bank deposits with original maturity of more than three months and bank balances is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancement to cover its credit risks associated with its financial assets.

Long-term bank deposits, bank deposits with maturity of more than three months and bank balances

No allowance for impairment was made since the directors of the Company consider that the probability of default is negligible as such amounts are receivable from or placed in banks with good reputation.

Other receivables

No allowance for impairment was made since the directors of the Company consider that the probability of default is minimal after assessing the counterparties' financial background and creditability.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

Trade receivables

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed at least once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually and credit-impaired individually and/or collectively. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Collective assessments

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively as at 31 December 2022 and 31 December 2021 within lifetime ECL.

Carrying amount

Credit rating	2022 Average loss rate %	2022 Trade receivables HK$'000	2021 Average loss rate %	2021 Trade receivables HK$'000
Strong*	**0.05**	**553,815**	0.03	1,561,867
Good	**0.54**	**2,674,003**	0.56	2,837,779
Satisfactory	**1.17**	**122,635**	1.60	415,170
Watch list	**2.22**	**174,993**	2.59	11,281
		3,525,446		4,826,097

* Included notes receivables amounting to HK$144,179,000 (2021: HK$1,344,979,000).

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk management and impairment assessment (Continued)

Individual assessments

As part of the Group's credit risk management, the Group assessed credit risk of its individual customers by reference to external credit rating. The following table provides information about the exposure to credit risk for trade receivables which are assessed individually as at 31 December 2022 and 31 December 2021 within lifetime ECL.

Carrying amount

Credit rating	2022 Average loss rate %	2022 Trade receivables HK$'000	2021 Average loss rate %	2021 Trade receivables HK$'000
Strong	**0.10**	**237,020**	0.11	190,153
Good	**0.73**	**341,514**	0.93	350,652
Satisfactory	**2.04**	**7,532**	2.44	224
Watch list	**12.34**	**2,858**	7.77	8,458
		588,924		549,487

Quality classification definitions:

"Strong": The counterparty has very low probability of default.

"Good": The counterparty has low default risk.

"Satisfactory": The counterparty has moderate default risk.

"Watch list": Requires varying degrees of special attention and default risk is of greater concern.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and authorized banks in Mainland China with high credit-ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit-ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the contractual settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

At 31 December 2022

	Weighted average effective interest rate* %	On demand HK$'000	Within one year HK$'000	More than one year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade liabilities and other payables	—	386,618	1,738,018	—	2,124,636	2,124,636
Other non-current liabilities	—	—	—	23,911	23,911	23,911
Lease liabilities	3.15	—	233,234	1,515,115	1,748,349	1,509,202
Bank borrowings	3.11	—	309,239	2,013,886	2,323,125	2,250,000
Amounts due to joint venture and its affiliates	—	13,431	—	—	13,431	13,431
Gross obligation to acquire non-controlling interests	—	—	44,780	—	44,780	44,780
		400,049	2,325,271	3,552,912	6,278,232	5,965,960
Derivatives — net settlement						
Foreign currency forward contracts	—	—	14,253	—	14,253	14,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

At 31 December 2021

	Weighted average effective interest rate* %	On demand HK$'000	Within one year HK$'000	More than one year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade liabilities and other payables	—	318,123	2,462,644	—	2,780,767	2,780,767
Other non-current liabilities	—	—	—	27,052	27,052	27,052
Lease liabilities	3.35	—	245,752	1,582,262	1,828,014	1,546,367
Bank borrowings	2.00	—	497,439	2,306,470	2,803,909	2,698,588
Amounts due to joint venture and its affiliate	—	10,629	—	—	10,629	10,629
Gross obligation to acquire non-controlling interests	—	—	—	48,924	48,924	48,924
		328,752	3,205,835	3,964,708	7,499,295	7,112,327
Derivatives — net settlement						
Foreign currency forward contracts	—	—	41,585	—	41,585	41,585
Interest rate swaps	—	—	16,120	2,720	18,840	18,793
		—	57,705	2,720	60,425	60,378

* Weighted average effective interest rate is determined based on the variable interest rates of outstanding bank borrowings at the end of the reporting period.

Interest rate benchmark reform

The Group is closely monitoring the market and managing the transition to new benchmark interest rate, including announcements made by the relevant Inter-Bank Offered Rate regulators.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans and interest rate swaps linked to HIBOR will continue till maturity and hence, not subject to transition.

The Group is not subject to significant risk arising from the transition in relation to the interest rate benchmark reform.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

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

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and financial liabilities	Fair value as at 2022	Fair value as at 2021	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Foreign currency forward contracts classified as derivative financial instruments on the consolidated statement of financial position *(note 27)*	**Asset — HK$49,479,000** **Liability — HK$14,253,000**	Asset — HK$1,482,000 Liability — HK$41,585,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Interest rate swaps, designated as for hedging-classified as derivative financial instruments on the consolidated statement of financial position *(note 27)*	**Asset — HK$58,720,000** **Liability — nil**	Asset — nil Liabilities — HK$18,793,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Other investments (classified as equity instruments at FVTOCI) *(note 23)*	**Asset — HK$38,051,000**	Asset — HK$64,202,000	Level 3	Market approach is used by comparing the latest transaction prices. Considerations such as time and condition of sales and terms of agreements are analyzed and adjustments are made, where appropriate, to arrive at an estimation of fair value.	The considerations such as time and condition may vary significantly due to difference in timing, condition of sale and terms of agreements, size and nature of similar business to derive the estimated fair value.	The higher the value of similar transactions, the higher the estimation of fair value derived from it, and vice versa.
Share adjustment on earn-out clause in a joint venture *(note 27)*	**Asset — HK$156,300,000**	Asset — HK$144,386,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the group arising from the share adjustment in AAMI, based on an appropriate discount rate.	AAMI would meet the amount of earn-out clause by reference to the estimated sale performance and profit forecast of AAMI.	The higher the amount of profit and enterprise value of AAMI, the higher the fair value.
Contingent consideration receivable in other financial assets *(note 24)*	**Asset — HK$39,765,000**	Asset — HK$39,775,000	Level 3	EBIT of AAMI in 2021 and 2022 and forecast EBIT of AAMI during 2023 (2021: EBIT of AAMI in 2021 and forecast EBIT of AAMI during 2022 and 2023).	Forecast EBIT of AAMI during 2023 to achieve the EBIT target in shareholders' agreement with the shareholder of AAMI (2021: Forecast EBIT of AAMI during 2022 and 2023 to achieve the EBIT target in shareholders' agreement with the shareholder of AAMI).	Forecast EBIT of AAMI during 2023 (2021: Forecast EBIT of AAMI during 2022 and 2023).

There were no transfers between Level 1, 2 and 3 in both years.

44. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Reconciliation of Level 3 fair value measurements

Financial assets

	Other investments-equity instruments at FVTOCI HK$'000	Contingent consideration receivable in other financial assets HK$'000	Share adjustment on earn-out clause in a joint venture HK$'000	Total HK$'000
At 1 January 2021	111,106	—	—	111,106
Purchase	5,125	—	—	5,125
Total gain (loss):				
— in profit or loss	—	39,775	144,386	184,161
— in other comprehensive income	(49,735)	—	—	(49,735)
— currency realignment	(2,294)	—	—	(2,294)
At 31 December 2021	64,202	39,775	144,386	248,363
Purchase	11,478	—	—	11,478
Total gain (loss):				
— in profit or loss	—	—	11,953	11,953
— in other comprehensive income	(35,279)	—	—	(35,279)
— currency realignment	(2,350)	(10)	(39)	(2,399)
At 31 December 2022	38,051	39,765	156,300	234,116

The financial assets subsequently measured at fair value on Level 3 fair value measurement represent other investments, contingent consideration receivable in other financial assets and share adjustment on earn-out clause in a joint venture (note 27).

Included in other comprehensive income is an amount of HK$35,279,000 net loss (2021: HK$49,735,000) relating to other investments classified as equity instruments at FVTOCI held at 31 December 2022 and was reported as changes of "fair value through other comprehensive income reserve".

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

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable HK$'000	Interest payables HK$'000	Lease liabilities HK$'000	Bank borrowings HK$'000 *(note 33)*	Total HK$'000
At 1 January 2021	—	—	1,522,206	3,047,686	4,569,892
Financing cash flows	(1,355,627)	(65,243)	(244,748)	(349,243)	(2,014,861)
Currency realignment	—	—	(23,765)	145	(23,620)
New lease entered/lease modified *(Note)*	—	—	239,495	—	239,495
Finance costs	—	65,243	53,179	—	118,422
Dividend declared	1,355,627	—	—	—	1,355,627
At 31 December 2021	—	—	1,546,367	2,698,588	4,244,955
Financing cash flows	(1,609,551)	(70,272)	(255,028)	(449,884)	(2,384,735)
Currency realignment	—	—	(52,253)	1,296	(50,957)
New lease entered *(Note)*	—	—	220,452	—	220,452
Finance costs	—	70,272	49,664	—	119,936
Dividend declared	1,609,551	—	—	—	1,609,551
At 31 December 2022	—	—	1,509,202	2,250,000	3,759,202

Note: During the year, the Group entered into new lease agreements/renewed lease agreements for the use of leased properties, motor vehicles and office equipment range from 14 to 240 months. On the lease commencement/modification, the Group recognized right-of-use assets and lease liabilities of HK$220,575,000 and HK$220,452,000 (2021: HK$239,604,000 and HK$239,495,000) respectively.

46. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2022 HK$'000	2021 HK$'000
Short-term benefits	**38,885**	35,833
Post-employment benefits	**1,453**	1,328
Share-based payments	**31,730**	25,055
	72,068	62,216

Certain shares of the Company were awarded to key management under the Scheme (see note 35 for details of the Scheme). The estimated fair value of such shares has been included in share-based payments for both years. The shares awarded to key management during the year ended 31 December 2022 and 31 December 2021 are vested within one year.

The emoluments of directors and senior management are determined by the Remuneration Committee, having regard to the performance of individuals and market trends.

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following balances with related parties:

Relationships	Nature of balances	2022 HK$'000	2021 HK$'000
Joint venture	Amount due from a joint venture	**17,073**	4,074
Subsidiaries of joint venture	Amounts due from affiliates of joint venture	**4,038**	7,254
	Amounts due from a joint venture and its affiliates	**21,111**	11,328
Joint venture	Amounts due to a joint venture	**12,293**	9,475
Subsidiaries of joint venture	Amounts due to affiliates of joint venture	**1,138**	1,154
	Amounts due to a joint venture and its affiliates	**13,431**	10,629

Service income and sales to a joint venture and its affiliates

During the year ended 31 December 2022, there are sales of spare parts to a joint venture and its affiliates of HK$15,289,000 (2021: HK$16,967,000) and rental services of HK$11,658,000 (2021: HK$12,815,000). For the year ended 31 December 2021, there was finance and accounting support service and marketing service of HK$14,265,000 (2022: nil) provided to a joint venture and its affiliates.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary shares/registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
ASMPT ALSI B.V. (formerly known as ASM Laser Separation International (ALSI) B.V.)	Netherlands	EUR100	—	100%	Research and development, manufacture and sale of semiconductor equipment
ASMPT AMICRA GmbH (formerly known as ASM AMICRA Microtechnologies GmbH)	Germany	EUR24,229,771	—	100%	Trading and manufacture of semiconductor equipment
ASM Assembly Systems GmbH & Co. KG *(Note)*	Germany	EUR20,200,000	—	100%	Manufacture and sale of surface mount technology equipment and trading of semiconductor equipment
ASMPT Equipment (M) Sdn. Bhd. (formerly known as ASM Assembly Equipment (M) Sdn. Bhd.)	Malaysia	MYR500,000 (2021: MYR10,000)	—	100%	Marketing service
先進半導體設備(深圳)有限公司 (ASMPT Equipment (Shenzhen) Co., Ltd. (formerly known as ASM Equipment China Co., Ltd.))*	PRC	US$47,835,000	—	100%	Manufacture of semiconductor equipment
ASMPT Hong Kong Holding Limited (formerly known as ASM Technology Asia Limited)	Hong Kong	HK$1,900,000,002	100%	—	Investment holding and agency services and provision of logistics and purchasing services to group companies
ASMPT Hong Kong Limited (formerly known as ASM Pacific (Hong Kong) Limited)	Hong Kong	HK$500,000	100%	—	Trading of semiconductor equipment and surface mount technology equipment in Hong Kong and marketing service in Korea
ASMPT Japan Limited (formerly known as ASM Assembly Technology Co., Ltd.)	Japan	JPY10,000,000	100%	—	Trading of semiconductor equipment and surface mount technology equipment
ASMPT Malaysia Sdn. Bhd. (formerly known as ASM Technology (M) Sdn. Bhd.)	Malaysia	MYR281,413,000	100%	—	Manufacture of semiconductor equipment and surface mount technology equipment
ASMPT NEXX, Inc. (formerly known ASM NEXX, Inc.)	United States of America	US$0.01	—	100%	Trading and manufacture of semiconductor equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary shares/registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
先域微電子技術服務(上海)有限公司 (ASMPT SEMI China Ltd. (formerly known as ASM Microelectronic Technical Services (Shanghai) Co., Limited))*	PRC	US$400,000	—	100%	Trading of semiconductor equipment
ASMPT SEMI USA, Inc. (formerly known as ASM Pacific Assembly Products, Inc.)	United States of America	US$60,000	—	100%	Trading of semiconductor equipment
ASMPT Singapore Pte. Ltd. (formerly known as ASM Technology Singapore Pte Ltd.)	Singapore	S$53,000,000	100%	—	Manufacture and sale of semiconductor equipment
先進裝配系統有限公司 (ASMPT SMT China Ltd. (formerly known as ASM Assembly Systems Ltd.))*	PRC	EUR5,400,000	—	100%	Trading of surface mount technology equipment
ASMPT SMT Singapore Pte. Ltd. (formerly known as ASM Assembly Systems Singapore Pte. Ltd.)	Singapore	S$154,653,979	100%	—	Manufacture and sale of surface mount technology equipment
ASMPT SMT UK Limited (formerly known as ASM Assembly Systems Weymouth Limited)	United Kingdom	GBP1,680,000	—	100%	Trading and manufacture of surface mount technology equipment
ASMPT SMT USA, LLC (formerly known as ASM Assembly Systems, LLC)	United States of America	—	—	100%	Trading of surface mount technology equipment
先進科技(中國)有限公司 (ASMPT Technology (China) Co., Ltd. (formerly known as ASM Technology (China) Co., Ltd.))*	PRC	US$26,000,000	—	100%	Research and development of semiconductor equipment and property investment
ASMPT Technology Hong Kong Limited (formerly known as ASM Technology Hong Kong Limited)	Hong Kong	HK$10,000,000	100%	—	Manufacture of semiconductor equipment and provision of research and development services
先進科技(惠州)有限公司 (ASMPT Technology (Huizhou) Co., Ltd. (formerly known as ASM Technology (Huizhou) Co., Ltd.))*	PRC	US$114,000,000	—	100%	Manufacture of semiconductor equipment and surface mount technology equipment
ASMPT Technology Limited (formerly known as ASM Pacific (Holding) Limited)	Hong Kong	HK$1,000,000	100%	—	Trading of semiconductor equipment in Taiwan

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary shares/registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
深圳先進微電子科技有限公司 (ASMPT Technology (Shenzhen) Co., Ltd. (formerly known as Shenzhen ASM Micro Electronic Technology Co., Ltd.))*	PRC	HK$718,300,000	—	100%	Manufacture of semiconductor equipment and surface mount technology equipment
ASMPT (Thailand) Ltd. (formerly known as ASM Assembly Equipment Bangkok Limited)	Thailand	Baht7,000,000	—	100%	Marketing service
Critical Manufacturing, S.A.	Portugal	EUR496,065	—	100%	Development, marketing and sales of manufacturing execution systems software solutions

* Established as a wholly foreign owned enterprise in the PRC.

Note: This subsidiary's name changed to ASMPT GmbH & Co. KG with effective from 11 January 2023.

All the principal subsidiaries operate predominantly in their respective places of incorporation/establishment unless specified otherwise under the heading "principal activities".

No debt security has been issued by any of the subsidiaries at any time during the year or is outstanding at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other insignificant subsidiaries which are mainly inactive or engaged in investment holding would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2022 HK$'000	2021 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**4,683,914**	4,683,914
Loans to subsidiaries	**887,275**	894,735
Derivative financial instruments	**58,720**	—
Right-of-use assets	**12,509**	13,780
	5,642,418	5,592,429
Current assets		
Other receivables and prepayments	**16,822**	2,110
Amounts due from subsidiaries	**2,007,719**	1,072,330
Cash and cash equivalents	**441,166**	419,890
	2,465,707	1,494,330
Current liabilities		
Other payables	**26,936**	20,143
Lease liabilities	**1,204**	1,161
Amounts due to subsidiaries	**11,035**	9,310
Loans from a subsidiary	**635,760**	—
Bank borrowings	**250,000**	250,000
	924,935	280,614
Net current assets	**1,540,772**	1,213,716
	7,183,190	6,806,145
Capital and reserves		
Share capital *(note 34)*	**41,287**	41,270
Reserves *(Note)*	**5,129,116**	4,482,091
	5,170,403	4,523,361
Non-current liabilities		
Lease liabilities	**12,787**	13,991
Derivative financial instruments	**—**	18,793
Bank borrowings	**2,000,000**	2,250,000
	2,012,787	2,282,784
	7,183,190	6,806,145

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note: Movement in reserves

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000	Hedging reserve HK$'000	Treasury share reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 January 2021	1,677,782	–	–	(55,804)	–	760	56,143	1,577,328	821,592	4,077,801
Profit for the year	–	–	–	–	–	–	–	1,539,551	–	1,539,551
Fair value gain on hedging instruments designated as cash flow hedges	–	–	–	37,011	–	–	–	–	–	37,011
Total comprehensive income for the year	–	–	–	37,011	–	–	–	1,539,551	–	1,576,562
Sub-total	1,677,782	–	–	(18,793)	–	760	56,143	3,116,879	821,592	5,654,363
Recognition of equity-settled share-based payments	–	210,255	–	–	–	–	–	–	–	210,255
Purchase of shares under the Scheme	–	–	(26,709)	–	–	–	–	–	–	(26,709)
Shares vested under the Scheme	–	(25,761)	25,864	–	–	–	–	(103)	–	–
Shares issued under the Scheme	184,303	(184,494)	–	–	–	–	–	–	–	(191)
2020 final dividend paid	–	–	–	–	–	–	–	–	(821,592)	(821,592)
2021 interim dividend paid	–	–	–	–	–	–	–	(534,035)	–	(534,035)
2021 final dividend proposed	–	–	–	–	–	–	–	(1,073,034)	1,073,034	–
At 31 December 2021	1,862,085	–	(845)	(18,793)	–	760	56,143	1,509,707	1,073,034	4,482,091
Profit for the year	–	–	–	–	–	–	–	2,167,816	–	2,167,816
Fair value gain on hedging instruments designated as cash flow hedges	–	–	–	77,513	–	–	–	–	–	77,513
Total comprehensive income for the year	–	–	–	77,513	–	–	–	2,167,816	–	2,245,329
Sub-total	1,862,085	–	(845)	58,720	–	760	56,143	3,677,523	1,073,034	6,727,420
Recognition of equity-settled share-based payments	–	212,743	–	–	–	–	–	–	–	212,743
Purchase of shares under the Scheme	–	–	(33,280)	–	–	–	–	–	–	(33,280)
Shares vested under the Scheme	–	(30,359)	34,125	–	–	–	–	(3,766)	–	–
Shares issued under the Scheme	182,120	(182,384)	–	–	–	–	–	–	–	(264)
Shares repurchased and cancelled	(151,688)	–	–	–	–	247	–	(247)	–	(151,688)
Shares repurchased but not yet cancelled	–	–	–	–	(16,264)	–	–	–	–	(16,264)
2021 final dividend paid	–	–	–	–	–	–	–	–	(1,073,034)	(1,073,034)
2022 interim dividend paid	–	–	–	–	–	–	–	(536,517)	–	(536,517)
2022 final dividend proposed	–	–	–	–	–	–	–	(783,758)	783,758	–
At 31 December 2022	1,892,517	–	–	58,720	(16,264)	1,007	56,143	2,353,235	783,758	5,129,116

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000 *(Note a)*	2019 HK$'000 (restated) *(Note a)*	2018 HK$'000 *(Note b)*
Results					
Revenue					
— Continuing operations	**19,363,495**	21,947,637	14,700,250	14,030,169	19,550,590
— Discontinued operation	**—**	—	2,186,994	1,852,873	—
	19,363,495	21,947,637	16,887,244	15,883,042	19,550,590
Profit before taxation from continuing operations	**3,412,991**	4,092,459	826,080	1,028,997	2,973,156
Income tax expense from continuing operations	**(794,924)**	(917,279)	(189,468)	(331,710)	(761,428)
Profit (Loss) from discontinued operation	**—**	—	993,891	(74,909)	—
Profit for the year	**2,618,067**	3,175,180	1,630,503	622,378	2,211,728
Loss (Profit) attributable to non-controlling interests	**2,184**	(6,204)	(8,987)	(3,129)	4,334
Profit attributable to owners of the Company	**2,620,251**	3,168,976	1,621,516	619,249	2,216,062

	At 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
Assets and Liabilities					
Non-current assets	**8,261,101**	8,249,820	8,364,572	7,464,459	5,907,439
Current assets	**16,515,430**	18,250,971	14,799,413	13,381,128	15,167,963
Current liabilities	**(5,246,593)**	(6,889,309)	(5,335,856)	(4,432,299)	(7,792,586)
Net current assets	**11,268,837**	11,361,662	9,463,557	8,948,829	7,375,377
Non-current liabilities	**(3,672,407)**	(4,199,793)	(4,633,882)	(4,781,596)	(1,122,161)
Total equity	**15,857,531**	15,411,689	13,194,247	11,631,692	12,160,655
Non-controlling interests	**(119,025)**	(136,263)	(24,658)	(3,376)	6,893
Equity attributable to owners of the Company	**15,738,506**	15,275,426	13,169,589	11,628,316	12,167,548

Notes:

(a) The Group discontinued its materials business after the deemed disposal of the subsidiaries of Materials business on 28 December 2020. The financial figures were extracted from the 2020 annual report.

(b) The financial figures were extracted from the 2018 annual report. No separate disclosures of continuing operations and discontinued operation were made on the financial figures for the year ended 31 December 2018.

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