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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2020 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Poised for Strong Recovery Q4 2020 YoY 46.3% Bookings Growth

Group Key Highlights for Q4 2020

- * Revenue of HK\$4.92 billion (US\$634.4 million), an increase of 10.5% YoY and 15.2% QoQ, exceeding the top end of guidance.
- * Bookings of HK\$5.10 billion (US\$658.2 million), an increase of 46.3% YoY and 12.9% QoQ.
- * Gross margin of 33.0% (excluding one-off item: inventory provision of HK\$199.3 million), a decline of 179 bps YoY and an improvement of 6 bps QoQ.
- * Net profit of HK\$377.7 million (excluding one-off items and related tax impact), an increase of 70.2% YoY and 61.5% QoQ.
- * Net profit of HK\$1.01 billion (including one-off items and related tax impact), an increase of 353.4% YoY and 330.0% QoQ.
- * Two 'one-off items' for this quarter:
 - o A gain of HK\$859.0 million recorded due to completion of the planned divestment of 55.56% of the Group's Materials Segment.
 - o Provisions totalling HK\$255.3 million set aside due to a product portfolio simplification initiative undertaken to strengthen the Group's performance going forward.

Group Key Highlights for the Second Half of 2020

- * Revenue of HK\$9.19 billion (US\$1.19 billion), an increase of 6.7% YoY and 19.3% HoH.
- * Bookings of HK\$9.62 billion (US\$1.24 billion), an increase of 28.2% YoY and 8.5% HoH.
- * Gross margin (excluding one-off item: inventory provision of HK\$199.3 million) of 33.0%, a decline of 180 bps YoY and 151 bps HoH.
- * Net profit of HK\$611.6 million (excluding one-off items and related tax impact), an increase of 37.7% YoY and 56.5% HoH.
- * Net profit of HK\$1.24 billion (including one-off items and related tax impact), an increase of 179.1% YoY and 217.2% HoH.

Group Key Highlights for the Full Year 2020

- * Revenue of HK\$16.89 billion (US\$2.18 billion), an increase of 6.3% YoY.
- * Bookings of HK\$18.49 billion (US\$2.38 billion), an increase of 16.7% YoY.
- * Gross margin (excluding one-off inventory provision of HK\$199.3 million) of 33.6%, a decline of 114 bps YoY.
- * Net profit of HK\$1.00 billion (excluding one-off items and related tax impact), an increase of 61.1% YoY.
- * Net profit of HK\$1.63 billion (including one-off items and related tax impact), an increase of 162.0% YoY.
- * Earnings per share of HK\$3.97.
- * Dividend per share of HK\$2.70 (including interim dividend of HK\$0.70 per share).
- * Book-to-bill ratio was 1.09.
- * Order backlog was HK\$5.93 billion (US\$764.8 million) as of 31 December 2020.
- * Record cash and bank deposits of HK\$4.46 billion as of 31 December 2020.

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of audited results for the year ended 31 December 2020:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) achieved a revenue of **HK\$16.89 billion (US\$2.18 billion)** in the fiscal year ended 31 December 2020, which was 6.3% higher than the revenue of HK\$15.88 billion (US\$2.03 billion) in the previous year. The Group’s consolidated profit after taxation for the year was **HK\$1.63 billion**, which was an increase of 162.0% from the previous year’s net profit of HK\$622.4 million. Basic earnings per share (EPS) for the year amounted to **HK\$3.97** (2019: HK\$1.52).

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

The Group firmly believes in returning excess cash to its shareholders as dividends. 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\$2.00** (2019: final dividend of HK\$0.70) per share. Together with the interim dividend of HK\$0.70 (2019: HK\$1.30) per share paid in August 2020, the total dividend payment for year 2020 will be **HK\$2.70** (2019: HK\$2.00) per share.

The proposed final dividend of **HK\$2.00** per share, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 11 May 2021 (“2021 AGM”), is to be payable on Monday, 31 May 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 18 May 2021.

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

- (i) from Thursday, 6 May 2021 to Tuesday, 11 May 2021, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 5 May 2021; and
- (ii) from Monday, 17 May 2021 to Tuesday, 18 May 2021, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited at the abovementioned address, not later than 4:00 p.m. on Friday, 14 May 2021.

REVIEW

We will begin by highlighting some of the major events that shaped the Group and its business in 2020, up till the date of this announcement.

COVID-19

At the beginning of 2020, the Group was initially impacted by the COVID-19 pandemic. The resilience and adaptability of its employees, suppliers and partners enabled it to decisively resolve operational constraints and continue delivering on its commitments to customers. COVID-19 continues to present challenges, but also unprecedented opportunity, specifically in the form of an accelerated digital transformation within businesses, societies and global economies. The increase in remote ‘life-from-home’ activities of all kinds came with a significant uptick in digital requirements and needs. Coupled with mega-trends in key areas such as 5G and Advanced Packaging (“AP”) technology, this fundamental shift drove very robust semiconductor demand globally and was one of the key factors supporting the Group’s financial performance in 2020.

Smooth Leadership Transition

On 12 May 2020, Mr. Lee Wai Kwong stepped down as Group Chief Executive Officer (“CEO”) after 13 years at the helm, and Mr. Robin Gerard Ng Cher Tat assumed the mantle. Mr. Robin Ng had previously been Group Chief Financial Officer (“CFO”) since 1 February 2010 and a Board Executive Director since 28 April 2011. As Group CFO, he oversaw the tremendous growth of the Group. Ms. Patricia Chou Pei-Fen, an industry veteran, was appointed Group CFO on 13 April 2020, and a Board Executive Director on 19 May 2020. These appointments by the Board of Directors, together with the current members of the Group’s Senior Management team remaining unchanged through the leadership handover period, helped ensure a stable and smooth leadership transition and enabled the execution of the Group’s long term vision and strategy to proceed unabated.

Strategic Joint Venture – Materials Segment

On 28 July 2020, the Group, together with Wise Road Capital LTD and Asia-IO Capital Management Limited, announced the formation of a Strategic Joint Venture (“SJV”) for the Group’s Materials Segment Business Unit, which produces lead frames. The Group believes this deep collaboration with like-minded and complementary strategic partners will help bring its already-strong Materials Segment’s business to even greater heights. The transaction was completed on schedule on 28 December 2020 with the Group retaining ownership of 44.44% of the SJV (named Advanced Assembly Materials International Limited (“AAMI”)) and having representation on AAMI’s board of directors. Effective from 29 December 2020, AAMI’s financial results have been deconsolidated and equity accounted for in the Group’s financial results. Since completion, AAMI has been operating as an independent entity and will be able to effectively plan and execute relevant growth strategies for greater success. AAMI and its lead frame business continue to be of significant importance to the Group.

Strategic Investments

The Group has consistently made well-timed strategic investments to augment its core competencies. Despite challenges posed by the pandemic, the Group made another strategic investment in July 2020 in SKT Max. This is a Shenzhen-based company with well-established Manufacturing Execution System (“MES”) solutions and a strong presence in mainland China. Consequently, SKT Max has reinforced the Group’s position in the China MES market. SKT Max will also augment Critical Manufacturing’s MES capabilities (the Group made a strategic investment in Critical Manufacturing in 2018).

REVIEW - continued

Industry Partnerships

The Group has also sought to reinforce its core competencies via strong industry partnerships with leading global technology companies. Since the beginning of 2020, the Group has formed two major industry partnerships.

In July 2020, the Group began a collaboration with IBM Research to develop and deliver a suite of integrated solutions for heterogeneous integration (“HI”) applications to facilitate the assembly of complex Artificial Intelligence (“AI”) chips. This is a significant move because these next-generation chips will require radically new architectures, materials and manufacturing processes, and will present challenges in improving performance, power and cost.

In January 2021, the Group inked a Joint Development Agreement (“JDA”) with EV Group (“EVG”) to co-develop ultra-precise, highly configurable die-to-wafer hybrid bonding (“HB”) solutions that will be crucial for HI applications. The challenge involved in die-to-wafer HB has been to actualise high throughput and high yields to enable mass production adoption. The JDA brings together EVG’s die preparation technology and front-end cleanliness for die-to-wafer HB, and the Group’s ultra-high precision bonding capabilities for extremely thin dies. It will deliver the most optimal integral customer solutions for die-to-wafer HB to the market. The benefits are significant, as system designers will then be able to ‘mix-and-match’ chiplets and optimally connect different process nodes into AP systems that can help power new applications in 5G, high performance computing (“HPC”) and AI.

These leading-edge partnerships with key technology leaders have helped strengthen the Group’s strong position in semiconductor development, especially as advanced end-market applications including 5G, HPC and AI rapidly proliferate. This is a testament to the Group’s ability to leverage on both its deep technical expertise and excellent financial strength in order to closely align with the advanced industry roadmaps of its partners that are propelling the industry.

250th Thermo-Compression Bonder (“TCB”) Milestone

The rapid acceleration of the digital transformation across the globe is driving increasing silicon content in devices and rising demands on HPC applications. According to research firm Yole Développement, market trends in high-density and fine-pitch flip-chip packaging are seeing a migration from mass reflow flip-chip methods to thermo-compression bonding (“TCB”). This is an important inflection point for the wider adoption of TCB in flip chip assembly within the HPC market, specifically CPUs, GPUs and other high-end logic devices. In this regard, the Group marked an important milestone with the delivery of its 250th Thermo-Compression Bonder to customers in February 2021. A pioneer in the most advanced processes for TCB and a clear market leader in this space, the Group stands to ride on this momentum for wider TCB adoption as end user demands for HPC applications increase.

REVIEW - continued

GROUP REVIEW

Group	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Bookings (HK\$m)	18,488.0	+16.7%	9,621.5	+8.5%	+28.2%	5,102.3	+12.9%	+46.3%
Revenue (HK\$m)	16,887.2	+6.3%	9,185.7	+19.3%	+6.7%	4,917.9	+15.2%	+10.5%

Group (including one-off items and related tax impact)	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Gross Margin	32.5%	-232 bps	30.8%	-368 bps	-397 bps	28.9%	-399 bps	-584 bps
Net Profit (HK\$m)	1,630.5	+162.0%	1,239.7	+217.2%	+179.1%	1,005.8	+330.0%	+353.4%
Net Profit Margin	9.7%	+574 bps	13.5%	+842 bps	+834 bps	20.5%	+1,497 bps	+1,547 bps

Group (excluding one-off items and related tax impact)	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Gross Margin	33.6%	-114 bps	33.0%	-151 bps	-180 bps	33.0%	+6 bps	-179 bps
Net Profit (HK\$m)	1,002.4	+61.1%	611.6	+56.5%	+37.7%	377.7	+61.5%	+70.2%
Net Profit Margin	5.9%	+202 bps	6.7%	+158 bps	+150 bps	7.7%	+220 bps	+269 bps

Full Year 2020

The Group navigated the unprecedented events arising from the COVID-19 pandemic and a global recession well, and emerged relatively unscathed, generating revenue of HK\$16.89 billion (US\$2.18 billion) for the full year ended 31 December 2020 (“FY 2020”). This represented a YoY growth of 6.3% attributable to several factors:

- Globally, accelerated digital transformation trends drove strong demand for personal computing, connectivity and HPC devices. This had two significant effects on the Group’s business.
 - One, more of the Group’s customers ramped up their capacity expansion demand for its mainstream tools, particularly its die and wire bonders, especially during the second half of 2020.
 - Two, the Group’s AP solutions gained traction among customers, especially for HPC applications. As a result, the Group’s AP tools (from both its Semiconductor Solutions and surface mount technology (“SMT”) Solutions Segments) generated a YoY revenue growth of more than 50%.
- The global 5G roll-out also increased capacity and capability requirements among customers, which drove strong customer demand for the Group’s die & wire bonders, and SMT tools. The Group’s AP solutions were also beneficiaries of customers’ more complex packaging and assembly requirements in areas such as advanced node chips, HI and radio frequency modules.
- Within the automotive space, green shoots began to surface in the second half of 2020, benefiting both the Group’s Semiconductor Solutions and SMT Solutions Segments. These arose not just from general recovery within the sector, but also from momentum for automotive electrification and increased demand for efficient power management applications.

REVIEW - continued

- Last but far from least, global trade tensions featured prominently throughout 2020. The Group was able to navigate the effects of this ongoing situation well due to its diversified global footprint of customers, resources and facilities, coupled with the presence of its global headquarters in Singapore. These were important considerations for many customers when considering plans for reshoring and localisation activities. In similar vein, these factors also influenced many of the Group's mainland Chinese customers when considering how to intensify their capacity build-up; this demand remained strong and underpinned the Group's YoY expansion from mainland Chinese businesses as a percentage of Group revenues in 2020.

The Group's relatively strong revenue performance was achieved in tandem with strong YoY bookings growth of 16.7%, made even more prominent by the Group's second half bookings exceeding the first half's for the first time since 2010. Notably, bookings for industrial and automotive applications bottomed out towards the end of 1H 2020 and showed very encouraging signs of recovery, with new order wins for these applications in the second half of 2020, particularly in the Eurozone and the Americas. Also, the Group's bookings for AP tools saw a broadening of customer demand from global integrated device manufacturers, leading fabless and foundry companies, high-density substrate manufacturers and key outsourced assembly and test companies.

By geographical revenue distribution, China (inclusive of Hong Kong), Europe, the Americas, Taiwan and Malaysia were the top five markets for the Group. The Group's top five customers accounted for only 13.7% of the Group's revenue, reflecting a consistent and healthy diversity in its customer mix.

The Group's gross margin (excluding one-off inventory provision of HK\$199.3 million) was 33.6%, representing a slight YoY decline of 114 bps. This was primarily attributed to weaker margins from its SMT Solutions Segment.

The Group's net profit (excluding one-off items and related tax impact) was HK\$1.00 billion, representing a YoY improvement of 61.1%. This was attributed to higher revenue, lower expenses due to tighter cost controls and government grants received to mitigate the effects of the COVID-19 pandemic.

The Group's net profit (including one-off items and related tax impact) was HK\$1.63 billion, representing a YoY improvement of 162.0%. The two one-off items were as follows: first, the Group achieved a gain of HK\$859.0 million due to the completion of its planned divestment of 55.56% of its Materials Segment (announced in Q2 2020). Second, the Group commissioned a comprehensive review with several key initiatives to enhance the Group's market position, improve operational efficiency and optimise its cost structure. One key initiative is to simplify the Group's product portfolio. This resulted in provisions totalling HK\$255.3 million relating to inventory write-down, supplier contract termination and manufacturing assets impairment. All these initiatives will improve the Group's profitability in the years ahead.

The Group ended the FY 2020 with a strong backlog of HK\$5.93 billion (US\$764.8 million) and a book-to-bill ratio of 1.09.

At the end of 2020, the Group held HK\$4.46 billion in cash and bank deposits and HK\$3.05 billion in borrowings. This represented a strong net cash position of HK\$1.41 billion for the Group. Prudent and disciplined capital management policy have been the crucial elements reinforcing the Group's strong and resilient balance sheet. This enabled the Group to effectively ride out the economic uncertainties of 2020, and have put the company in good stead for 2021 and beyond.

REVIEW - continued

Q4 2020

The Group achieved revenue of HK\$4.92 billion (US\$634.4 million), representing growth of 10.5% YoY and 15.2% QoQ. This came in well above the top end of revenue guidance between US\$530 million to US\$590 million issued during the Group's Q3 2020 results announcement.

The Group's Q4 bookings of HK\$5.10 billion (US\$658.2 million) were a historical high for its Q4 quarter, an increase of 46.3% YoY and 12.9% QoQ. This quarter's performance was driven by very strong YoY bookings growth across both Semiconductor Solutions and Materials Segments. This excellent result also bucked the general seasonal trend for its Q4 bookings tending to be the lowest of the year.

The Group's gross margin (excluding one-off inventory provision of HK\$199.3 million) of 33.0% represented a YoY decline of 179 bps and a QoQ improvement of 6 bps. The QoQ improvement was largely attributed to higher gross margins from its SMT Solutions Segment, but offset by weaker gross margins from its Semiconductor Solutions and Materials Segments.

SEMICONDUCTOR SOLUTIONS SEGMENT

Semiconductor Solutions Segment	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Bookings (HK\$m)	8,986.0	+25.9%	4,816.7	+15.5%	+39.5%	2,586.3	+16.0%	+84.9%
Revenue (HK\$m)	7,967.3	+13.8%	4,291.1	+16.7%	+11.5%	2,376.6	+24.1%	+17.3%

Semiconductor Solutions Segment (including one-off items)	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Gross Margin	38.2%	-293 bps	34.8%	-743 bps	-727 bps	30.6%	-934 bps	-1,019 bps
Segment Profit (HK\$m)	688.7	+44.5%	268.5	-36.1%	-24.8%	90.6	-49.1%	-49.2%
Segment Profit Margin	8.6%	+184 bps	6.3%	-517 bps	-302 bps	3.8%	-548 bps	-498 bps

Semiconductor Solutions Segment (excluding one-off items)	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Gross Margin	40.7%	-43 bps	39.4%	-279 bps	-263 bps	39.0%	-95 bps	-180 bps
Segment Profit (HK\$m)	888.0	+86.3%	467.8	+11.3%	+31.0%	289.9	+62.9%	+62.7%
Segment Profit Margin	11.1%	+434 bps	10.9%	-53 bps	+162 bps	12.2%	+290 bps	+340 bps

The Segment's Q4 2020 revenue of HK\$2.38 billion (US\$306.6 million) represented 48.3% of Group Q4 2020 revenue and was the highest Q4 Segment revenue ever recorded. This represented strong growth of 17.3% (YoY) and 24.1% (QoQ) respectively. The Segment's revenue performance was driven by the following factors:

- (i) The IC/Discrete Business Unit benefited from accelerated global digital transformation trends that drove strong demand for mobile & personal computing devices, and HPC applications. Other key drivers included strong capacity and capability ramp-up by customers, ongoing global 5G infrastructure deployment (particularly in China) and strong demand for power management applications related to automotive electrification.

REVIEW - continued

- (ii) The Optoelectronics Business Unit recorded strong demand from conventional display and general lighting customers. As for Mini and Micro LED, as reported during Q3 2020 earnings, extensive engagement with early customers have put the Group in an excellent position to leverage significant opportunities as the application ecosystem continues to develop.
- (iii) The CIS Business Unit recorded YoY revenue decline but QoQ revenue growth. The QoQ revenue rise reflected improving signs in this application space. In the longer term, CIS applications are expected to continue proliferating as they will be driven by ongoing trends in automotive electrification and smartphone innovation.

At the product level, the Segment's mainstream die and wire bonders delivered very strong YoY Q4 revenue growth. This reflected customers expanding capacity in response to improving market conditions.

Segment bookings of HK\$2.59 billion (US\$333.6 million) were the highest ever for Q4 with all three business units recording strong YoY bookings growth. Bookings growth was 84.9% (YoY) and 16.0% (QoQ).

Segment gross margins (excluding one-off inventory provision of HK\$199.3 million) was 39.0%. This was a YoY decline of 180 bps and a QoQ decline of 95 bps, due primarily to product mix effects, in particular, the relatively higher contribution from mainstream bonders and lower contribution from CIS tools.

SMT SOLUTIONS SEGMENT

SMT Solutions Segment	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Bookings (HK\$m)	6,782.8	-0.7%	3,385.5	-0.3%	+12.5%	1,612.2	-9.1%	+4.7%
Revenue (HK\$m)	6,732.9	-4.2%	3,683.6	+20.8%	-1.8%	1,932.9	+10.4%	+1.4%
Gross Margin	31.1%	-384 bps	30.5%	-133 bps	-359 bps	31.1%	+119 bps	-441 bps
Segment Profit (HK\$m)	657.2	-29.1%	372.3	+30.6%	-26.2%	200.5	+16.8%	-27.9%
Segment Profit Margin	9.8%	-343 bps	10.1%	+76 bps	-334 bps	10.4%	+57 bps	-421 bps

The Segment's Q4 2020 revenue of HK\$1.93 billion (US\$249.3 million) contributed 39.3% of Group Q4 2020 revenue. This represented YoY and QoQ revenue growth of 1.4% and 10.4% respectively. QoQ revenue growth was largely attributed to stronger end-market demand for automotive, 5G infrastructure, and industrial applications. At the product level, there was continued strong demand for high-accuracy SMT systems (the Segment's AP tools) for SiP applications. A noteworthy development was the performance of the Segment's equipment services and spare parts business, which experienced a strong pickup in Q4 2020. This indicates improving manufacturing activities among its customers, particularly from the Eurozone and Americas.

The Segment's Q4 2020 bookings of HK\$1.61 billion (US\$208.0 million) represented YoY growth of 4.7% and QoQ decline of 9.1%. Notably, despite the QoQ decline in bookings, automotive customers registered a QoQ increase in new order bookings. Over the longer term, the Segment's gross margin is expected to improve with the rollout of a number of initiatives. These encompass product cost improvement measures and product portfolio enhancements, which include a new SMT equipment platform designed for optimal Total Cost-of-Ownership ("TCO").

REVIEW - continued

Q4 2020 Segment gross margin of 31.1% was a YoY decline of 441 bps and a QoQ increase of 119 bps. The QoQ improvement was attributed to higher volume and increased revenue contribution from automotive, 5G infrastructure and industrial applications markets.

MATERIALS SEGMENT (DECONSOLIDATED FROM 29 DECEMBER 2020)

Materials Segment	FY 2020		2H 2020			Q4 2020		
		YoY		HoH	YoY		QoQ	YoY
Bookings (HK\$m)	2,719.2	+45.4%	1,419.3	+9.2%	+35.6%	903.8	+75.3%	+64.7%
Revenue (HK\$m)	2,187.0	+18.0%	1,211.0	+24.1%	+20.1%	608.4	+1.0%	+17.8%
Gross Margin	15.7%	+558 bps	17.5%	+400 bps	+808 bps	15.5%	-388 bps	+707 bps
Segment Profit (HK\$m)	212.9	+265.0%	138.9	+87.9%	+395.0%	55.8	-33.0%	+468.1%
Segment Profit Margin	9.7%	+659 bps	11.5%	+390 bps	+869 bps	9.2%	-464 bps	+726 bps

Several milestones were achieved by the Materials Segment this quarter.

First, Q4 2020 Segment revenue of HK\$608.4 million (US\$78.5 million) was a record high, accounting for 12.4% of Group Q4 2020 revenue. This represented YoY and QoQ growth of 17.8% and 1.0% respectively.

Second, Q4 2020 Segment bookings were also at an all-time high at HK\$903.8 million (US\$116.6 million), representing growth of 64.7% (YoY) and 75.3% (QoQ) respectively. This bullish order momentum is a leading indicator of robust semiconductor device demand, which will in turn drive the Group's customers demand for packaging and assembly equipment.

Segment gross margin of 15.5% represented a YoY improvement of 707 bps and QoQ decline of 388 bps. YoY improvement was anchored by higher volume effects. As part of a restructuring exercise previously announced in Q4 2019, the relocation of operations from Singapore to Malaysia had an impact on overall Segment utilisation, which contributed to the QoQ decline.

The Group is very appreciative to the management and employees of this Segment, who continued to deliver excellent operational and financial performance in Q4 2020, right through the completion of the planned Strategic Joint Venture transaction on 28 December 2020.

From 29 December 2020, the financial results of this Segment's business have been deconsolidated and equity accounted for in the Group's books. The materials business, operating under the independent entity AAMI, continues to be of significant strategic importance to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

With the completed divestment of 55.56% of the Group's Materials Segment, the Group's "continuing operations" will refer to Group's business activities excluding the Materials Segment.

Return on sales of the Group's continuing operations for the year was 7.8% excluding one-off items while including one-off items was 6.0% (2019: 8.1%). Return on capital employed of the Group's continuing operations for the year was 7.7% excluding one-off items while including one-off items was 5.8% (2019: 8.7%).

LIQUIDITY AND FINANCIAL RESOURCES – continued

Inventory balance as of 31 December 2020 was HK\$5.77 billion compared with HK\$6.29 billion as of 31 December 2019. The Group's inventory turnover for its continuing operations was 2.52 times (2019: 2.31 times).

Cash and bank deposits as of 31 December 2020 increased significantly by 91.7% to HK\$4.46 billion (2019: HK\$2.33 billion). During 2020, HK\$572.5 million was paid as dividends (2019: HK\$1.1 billion). Capital addition during the year amounted to HK\$384.2 million (2019: HK\$684.7 million), which was fully funded by the year's depreciation and amortization of HK\$640.0 million (2019: HK\$621.1 million), excluding the depreciation of right-of-use assets of HK\$221.2 million (2019: HK\$221.5 million) as per HKFRS 16 in the current year. Days sales outstanding of the Group's continuing operations decreased to 94.8 days (2019: 95.8 days).

As of 31 December 2020, the current ratio was 2.77 (2019: 3.02), with a debt-to-equity ratio of 23.1% (2019: 26.2%). Debts include all bank borrowings and lease liabilities under hire purchase arrangements. The Group had available banking facilities of HK\$2.30 billion (US\$296.6 million) (2019: HK\$2.25 billion (US\$298.4 million)) in the form of bank loans and overdraft facilities, of which HK\$775.3 million (US\$100.0 million) was a committed borrowing facility. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in US dollars, Hong Kong dollars and Euros.

The Group had bank borrowings of HK\$3.05 billion as of 31 December 2020 (31 December 2019: HK\$3.04 billion), consisting of variable-rate and fixed-rate bank borrowings. These bank borrowings are unsecured and repayable by instalments. A syndicated loan of HK\$2.5 billion was arranged in March 2019, and it is a variable-rate borrowing. Repayment of this syndicated loan will commence from March 2022 until March 2024. The Group uses interest rate swaps to mitigate its exposure of the cash flow changes of the variable-rate syndicated loan by swapping certain portions of the syndicated loan from variable rates to fixed rates. The Group's equity attributable to owners of the Company was HK\$13.2 billion (2019: HK\$11.6 billion) as at 31 December 2020.

As of 31 December 2020, 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 were denominated in US dollars, Euros and Chinese RMB. On the other hand, disbursements in respect of operating expenses and purchases were mainly in US dollars, Euros and Chinese RMB.

A final dividend of HK\$2.00 per share is proposed. In addition to the interim dividend of HK\$0.70 per share paid in August 2020, this represents a dividend-per-share increase of 35% compared with 2019. The Board has proposed an above-average dividend payout ratio of 68% for FY 2020 (versus the average dividend payout ratio from 2011-2020 of 50%) to reward shareholders from the net gain attributable to the one-off items.

LIQUIDITY AND FINANCIAL RESOURCES – 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.

Looking forward, the dividend policy of the Group is to continue a consistent annual dividend payout ratio of around 50%. This is comparable to the average dividend payout ratio of the Group from 2011-2020. Looking ahead, 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.

SIGNIFICANT INVESTMENT

As at 31 December 2020, 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 investment cost of the Group's investment in AAMI is HK\$1.24 billion.
(ii) Fair value of the investment in AAMI:	HK\$1.24 billion
(iii) The investment's size relative to the Group's total assets:	5.4%
(iv) Principal activity of AAMI and its subsidiaries:	Manufacturing and trading of materials products
(v) The Group's investment strategy:	Long-term investment in the lead frame business

HUMAN RESOURCES

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

Besides annual salary reviews, employees enjoy a range of benefits including medical, training subsidies and team-bonding activities that help promote camaraderie and strengthen relationships at work. Discretionary bonus and incentives shares are also granted to eligible employees based on both Group financial performance and individual performance. The Group also advocates community contribution by its employees, with more details of these to be found in the separate Group Sustainability Report accompanying the Group's annual report.

HUMAN RESOURCES - continued

As of 31 December 2020, total headcount for the Group was approximately 11,600. This figure includes continuing operations only, and thus excludes headcount from the Group's Materials business that formed the AAMI Strategic Joint Venture from 28 December 2020 (see page 3). The Group's total headcount also excludes some 1,700 temporary or short-term contract employees and outsourced workers. Of the 11,600 total headcount, approximately 1,100 are based in Hong Kong, 5,300 in mainland China, 1,200 in Singapore, 1,100 in Germany, 1,000 in Malaysia, 400 in the United Kingdom, 300 in the United States, and the rest in other parts of the world.

Total manpower costs (for continuing operations only) for the Group in 2020 was HK\$4.41 billion, compared with HK\$4.55 billion in 2019. The Group's relatively steady manpower costs reflect its commitment to ensuring that its employees continued to be sufficiently remunerated through a tumultuous, pandemic-hit 2020. Although measures such as a salary freeze were undertaken as part of decisive, preemptive measures to manage costs, the Group was able to provide a special one-off payment to all permanent and contract staff at the end of 2020 once it became clearer that its operations were proving resilient enough. The Group continues to take a prudent, measured approach toward managing its manpower costs moving into 2021, and remains committed to eventually reinstating its regular salary progression policy.

LONG TERM GROWTH DRIVERS

China Localisation

The current macroeconomic environment has been characterised by rising geopolitical tensions and economic upheavals. Amidst these escalating tensions, China has experienced an increasing trend towards semiconductor self-sufficiency across the entire design and manufacturing ecosystem, supported by regional and central government policies. The Group has been able to tap relevant opportunities in China due to its strong presence there, and it remains optimistic about deriving broad-based growth from China.

AP and HI

Advanced chip technology development presents technical requirements that increasingly challenge chip miniaturisation efforts and the boundaries of Moore's Law. The benefits from the usual playbook of continuously shrinking and packing more transistors into system-on-chip ("silicon scaling") are progressively being outweighed by the costs involved. AP, together with HI, has evolved to complement Moore's Law and extend the possibilities and roadmaps for chip manufacturing and innovation. They provide opportunities to achieve economic advantages for the semiconductor ecosystem as a whole. The advent of AP and HI signals a shift of value-added activity from the front-end to the back-end of the semiconductor manufacturing ecosystem. Today, the Group has built up the most comprehensive product portfolio and broadest technical process know-how for AP and HI in the industry to address its customers' most technologically demanding needs.

LONG TERM GROWTH DRIVERS - continued

5G Deployment

5G as a ‘mega-trend’ is driving significantly increased demand for silicon content in applications of all kinds and across multiple industries, with ongoing momentum in the roll-out of 5G infrastructure presenting a multi-country and multi-year growth path for the Group. In terms of innovation, 5G will fuel new innovations in fields such as Augmented and Virtual Reality (“AR/VR”), Autonomous Vehicles (“AV”), Internet of Things (“IoT”) and AI. As these innovations flourish in the commercial space, the Group’s core products and services, especially its AP and mainstream solutions, will become increasingly important to its customers. This in turn is expected to translate to a healthy growth in its customers’ capability buys. Additionally, the expected proliferation of 5G devices across smartphones, automotive electrification, HPC, Communications, IoT deployments, industrial applications and more will open up strategic benefits for the Group in terms of increased customer capacity requirements and accelerated customer demand for more advanced tools. The Group’s numerous product lines are already playing significant roles in these application areas.

Automotive

Despite a challenging 2020, the automotive market is also expected to be a key, sustained growth driver for the Group. The increasing wave of developments in automotive electrification is fuelling a significant demand for sensors, ADAS computing systems and automotive camera modules, combining to generate a CAGR of 21%, reaching US\$22.4 billion by 2025 (according to Yole Développement). A key element within automotive electrification is the gradual but inexorable move towards Level 5 autonomy (truly self-driving) vehicles, which is expected to boost demand for more semiconductor content. The Group stands to benefit with its breadth of equipment offerings encompassing significant areas of the automotive manufacturing equipment space: from semiconductor packaging & assembly, to its precision SMT tools.

A.I. Internet-of-Things (“AIoT”) Framework for Electronics Manufacturing

Electronics manufacturers face increasing pressure to achieve zero DPPB (Defective Parts Per Billion) and near-zero unscheduled downtime because of a host of factors, including to avoid high product recall & repair costs, meet higher safety & security requirements, and increase competitiveness. Product recall and repairs and unplanned downtime can cause significant financial losses, not to mention affecting company reputations.

The Group has developed a data-driven closed loop AIoT approach that represents a fundamental paradigm shift in manufacturing. It will enable ‘smart factories’ that can bring about significant improvements in productivity, quality and yields across the entire electronics manufacturing value chain. The Group’s end-to-end approach involves infusing AI capabilities into ‘smart assembly lines’ that enable equipment to independently examine data, analyse it to make decisions, and then act based on those decisions. This essentially delivers data-driven closed loop insights and automation without the need for human intervention.

The Group has integrated AIoT solutions into its broad product portfolio in order to deliver such capabilities. The core of its AIoT platform is a software engine that uses advanced machine learning algorithms to process manufacturing data. This platform approach offers customers various progressive entry points. This begins with getting various factory tools connected onto the AIoT platform in order to improve performance autonomously. Customers can subsequently use AI to enable predictive maintenance and procedure tweaks in order to improve overall equipment uptime and yields.

LONG TERM GROWTH DRIVERS - continued

With such AIoT-enabled smart assembly lines, the Group aims to provide customers with quality analyses and insights that can lay the foundation for their journey to an ‘Industry 4.0’ future. The Group continues to develop more machine-learning based solutions to further improve yields, and AIoT will be one of the key areas with significant growth potential.

Ultimately, with the significant breadth of current and leading-edge solutions being offered, the Group remains well-positioned to continue leveraging global trends in the industry and forging a healthy longer-term growth trajectory.

OUTLOOK 2021

As the Materials Segment was deconsolidated and equity accounted with effect from 29 December 2020, this Outlook section will only cover the Group’s Semiconductor Solutions and SMT Solutions Segments.

Industry research forecasts that 2021 will see broad-based semiconductor growth of 8%. Accelerated digital transformation exemplified by work-from-home, home schooling and online retail will drive investments in personal mobility and computing devices, cloud data centres and communications infrastructure. Further, automotive and industrial markets are forecasted to rebound in 2021 from the trough experienced in 2020.

Since the beginning of 2021, the Semiconductor Solutions Segment has experienced order intake momentum at an unprecedented pace, and consequently, Q1 2021 bookings for the Group are expected to surpass US\$700 million. Improving global economic conditions, together with semiconductor inventory replenishments, have resulted in the tightening of global supply chain conditions. While the Group’s supply chain was impacted initially, the Semiconductor Solutions Segment is still expected to deliver strong QoQ revenue growth, offset by a QoQ seasonal decrease in SMT Solutions Segment revenue. Overall, in terms of revenue guidance for Q1 2021, the Group revenue is anticipated to range from US\$500 million to US\$550 million, which will be a Q1 quarterly revenue record (excluding revenue from the Materials Segment). The Group has aggressively ramped up its capacity to meet delivery commitments to customers over the coming quarters.

On top of the Group’s focus on growing revenue, ensuring consistent and sustainable long-term profitability remains a top priority. In 2020, the Group commissioned a comprehensive strategic review with the objective of significantly improving its market position and profitability in the years ahead. A number of strategic initiatives will be rolled out over the next few quarters across the Group. These encompass streamlining and enhancing product portfolios, including the establishment of a new SMT equipment platform designed for optimal TCO; growing market share in both mid and high-end segments of the assembly equipment market; and improving product cost structures across the Group. These initiatives will translate to consistently higher and sustainable long term Group profitability.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<u>Continuing Operations</u>		<u>Discontinued Operation</u>		<u>Total</u>	
		Year ended 31 Dec		Year ended 31 Dec		Year ended 31 Dec	
		2020	2019	2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
			(restated)		(restated)		
	<i>Notes</i>						
Revenue	2	14,700,250	14,030,169	2,186,994	1,852,873	16,887,244	15,883,042
Cost of sales	3	(9,561,369)	(8,693,410)	(1,844,184)	(1,665,757)	(11,405,553)	(10,359,167)
Gross profit		5,138,881	5,336,759	342,810	187,116	5,481,691	5,523,875
Other income		102,596	89,582	15,544	3,777	118,140	93,359
Selling and distribution expenses		(1,521,751)	(1,536,117)	(50,311)	(54,156)	(1,572,062)	(1,590,273)
General and administrative expenses		(901,769)	(891,057)	(76,221)	(69,876)	(977,990)	(960,933)
Research and development expenses		(1,621,576)	(1,702,765)	(17,659)	(8,093)	(1,639,235)	(1,710,858)
Gain on deemed disposal of subsidiaries	14	-	-	859,042	-	859,042	-
Other gains and losses	6	(55,135)	(53,992)	(14,714)	(782)	(69,849)	(54,774)
Other expenses	7	(147,476)	-	(25,700)	(109,540)	(173,176)	(109,540)
Finance costs	8	(167,690)	(213,413)	(2,319)	(1,709)	(170,009)	(215,122)
Profit (loss) before taxation		826,080	1,028,997	1,030,472	(53,263)	1,856,552	975,734
Income tax expense	9	(189,468)	(331,710)	(36,581)	(21,646)	(226,049)	(353,356)
Profit (loss) for the year		636,612	697,287	993,891	(74,909)	1,630,503	622,378
Profit (loss) for the year attributable to owners of the Company							
- from continuing operations						627,625	694,158
- from discontinued operation						993,891	(74,909)
						1,621,516	619,249
Profit for the year attributable to non-controlling interests							
- from continuing operations						8,987	3,129
Profit for the year						1,630,503	622,378
Earnings per share (from continuing and discontinued operations)	11						
- Basic						HK\$3.97	HK\$1.52
- Diluted						HK\$3.95	HK\$1.52
Earnings per share (from continuing operations)	11						
- Basic						HK\$1.54	HK\$1.71
- Diluted						HK\$1.53	HK\$1.70

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 Dec	
	2020	2019
	HK\$'000	HK\$'000
	(audited)	(audited)
Profit for the year	1,630,503	622,378
Other comprehensive (expense) income		
<i>Items that will not be reclassified to profit or loss:</i>		
- remeasurement of defined benefit retirement plans, net of tax	(26,100)	(55,916)
- fair value gain on investments in equity instruments at fair value through other comprehensive income	-	8,020
	(26,100)	(47,896)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- exchange differences on translation of foreign operations	460,908	(121,415)
- reclassification of cumulative translation reserve upon deemed disposal of foreign operations	(8,896)	-
- fair value loss on hedging instruments designated as cash flow hedges	(55,804)	-
	396,208	(121,415)
Other comprehensive income (expense) for the year	370,108	(169,311)
Total comprehensive income for the year	2,000,611	453,067
Total comprehensive income for the year attributable to:		
Owners of the Company	1,979,329	452,016
Non-controlling interests	21,282	1,051
	2,000,611	453,067

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<u>Continuing Operations</u>		<u>Discontinued Operation</u>		<u>Total</u>	
	Three months ended		Three months ended		Three months ended 31 Dec	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited)
Revenue	4,309,506	3,932,333	608,426	516,566	4,917,932	4,448,899
Cost of sales	(2,981,393)	(2,429,279)	(513,948)	(472,854)	(3,495,341)	(2,902,133)
Gross profit	1,328,113	1,503,054	94,478	43,712	1,422,591	1,546,766
Other income	10,904	13,875	2,261	676	13,165	14,551
Selling and distribution expenses	(408,538)	(403,046)	(12,533)	(14,868)	(421,071)	(417,914)
General and administrative expenses	(243,313)	(245,521)	(22,286)	(17,364)	(265,599)	(262,885)
Research and development expenses	(432,997)	(444,028)	(6,093)	(1,877)	(439,090)	(445,905)
Gain on deemed disposal of subsidiaries	-	-	859,042	-	859,042	-
Other gains and losses	(8,182)	(16,621)	(5,474)	(1,010)	(13,656)	(17,631)
Other expenses	(66,792)	-	(9,122)	(109,540)	(75,914)	(109,540)
Finance costs	(50,276)	(44,818)	(1,326)	(328)	(51,602)	(45,146)
Profit (loss) before taxation	128,919	362,895	898,947	(100,599)	1,027,866	262,296
Income tax expense	(14,177)	(34,382)	(7,868)	(6,052)	(22,045)	(40,434)
Profit (loss) for the period	114,742	328,513	891,079	(106,651)	1,005,821	221,862
Profit (loss) for the period attributable to owners of the Company						
- from continuing operations					109,225	323,109
- from discontinued operation					891,079	(106,651)
					1,000,304	216,458
Profit for the period attributable to non-controlling interests						
- from continuing operations					5,517	5,404
Profit for the period					1,005,821	221,862
Earnings per share (from continuing and discontinued operations)						
- Basic					HK\$2.45	HK\$0.53
- Diluted					HK\$2.43	HK\$0.53
Earnings per share (from continuing operations)						
- Basic					HK\$0.27	HK\$0.79
- Diluted					HK\$0.27	HK\$0.79

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 Dec	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	1,005,821	221,862
Other comprehensive (expense) income		
<i>Items that will not be reclassified to profit or loss:</i>		
- remeasurement of defined benefit retirement plans, net of tax	(26,100)	(55,916)
- fair value gain on investments in equity instruments at fair value through other comprehensive income	-	8,020
	(26,100)	(47,896)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- exchange differences on translation of foreign operations	333,464	104,750
- reclassification of cumulative translation reserve upon deemed disposal of foreign operations	(8,896)	-
- fair value loss on hedging instruments designated as cash flow hedges	(4,977)	-
	319,591	104,750
Other comprehensive income for the period	293,491	56,854
Total comprehensive income for the period	1,299,312	278,716
Total comprehensive income for the period attributable to:		
Owners of the Company	1,285,017	270,770
Non-controlling interests	14,295	7,946
	1,299,312	278,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2020	2019
		HK\$'000	HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		2,407,335	2,916,415
Right-of-use assets		1,601,737	1,632,626
Investment properties		85,263	53,645
Goodwill		1,159,030	1,047,851
Intangible assets		1,139,436	1,190,072
Other investments		111,106	93,471
Interest in a joint venture		1,240,001	-
Finance lease receivables		4,363	-
Deposits paid for acquisition of property, plant and equipment		9,837	92,888
Rental deposits paid		28,816	32,888
Deferred tax assets		569,129	384,624
Other non-current assets		8,519	19,979
		8,364,572	7,464,459
Current assets			
Inventories		5,773,007	6,291,276
Finance lease receivables		372	-
Trade and other receivables	12	4,305,431	4,710,170
Amount due from an affiliate of a joint venture		326	-
Derivative financial instruments		45,564	3,482
Income tax recoverable		213,781	49,604
Pledged bank deposits		594	-
Bank deposits with original maturity of more than three months		9,774	9,053
Bank balances and cash		4,450,564	2,317,543
		14,799,413	13,381,128
Current liabilities			
Trade liabilities and other payables	13	2,784,858	2,670,411
Advance payments from customers		1,239,316	861,766
Amounts due to a joint venture and its affiliate		110,277	-
Derivative financial instruments		-	9,295
Lease liabilities		169,730	188,633
Provisions		308,722	283,696
Income tax payable		175,743	97,134
Bank borrowings		547,210	321,364
		5,335,856	4,432,299
Net current assets		9,463,557	8,948,829
		17,828,129	16,413,288

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Capital and reserves		
Share capital	41,079	40,889
Dividend reserve	821,592	286,227
Other reserves	12,306,918	11,301,200
Equity attributable to owners of the Company	13,169,589	11,628,316
Non-controlling interests	24,658	3,376
Total equity	13,194,247	11,631,692
Non-current liabilities		
Bank borrowings	2,500,476	2,722,118
Lease liabilities	1,352,476	1,362,169
Retirement benefit obligations	319,821	260,551
Provisions	51,345	53,024
Derivative financial instruments	55,804	-
Deferred tax liabilities	232,377	233,788
Other liabilities and accruals	121,583	149,946
	4,633,882	4,781,596
	17,828,129	16,413,288

Notes:

1. Principal accounting policies

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

1.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

1.2 Impacts on application of Amendments to HKFRS 3 “Definition of a Business”

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

1. Principal Accounting Policies – continued

Amendments to HKFRSs that are mandatorily effective for the current year - continued

1.2 Impacts on application of Amendments to HKFRS 3 “Definition of a Business” - continued

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

1.3 Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 “Interest Rate Benchmark Reform”

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

2. SEGMENT INFORMATION

The Group has three (2019: three) operating segments: development, production and sales of (1) semiconductor solutions (formerly known as back-end equipment), (2) surface mount technology solutions and (3) materials. They represent three (2019: three) major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2019: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group. On 28 December 2020, the Group achieved deemed disposal of its materials business. As a result, the operating segment concerning the Group's materials business has been discontinued in the current year; this is described in more detail in note 14. The segment information reported in this note does not include any amounts for the discontinued operation of materials business. The comparative figures in this note have been restated to conform with the current year's presentation.

2. SEGMENT INFORMATION – continued

Segment revenues and results

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)	2020 HK\$'000 (audited)	2019 HK\$'000 (audited) (restated)
Continuing operations				
Segment revenue from external customers				
Semiconductor solutions	2,376,621	2,026,073	7,967,345	7,003,454
Surface mount technology solutions	1,932,885	1,906,260	6,732,905	7,026,715
	4,309,506	3,932,333	14,700,250	14,030,169
Segment profit				
Semiconductor solutions	90,553	178,182	688,675	476,611
Surface mount technology solutions	200,526	278,032	657,229	926,604
	291,079	456,214	1,345,904	1,403,215
Interest income	1,083	5,170	19,111	23,605
Finance costs	(50,276)	(44,818)	(167,690)	(213,413)
Unallocated other income	8,999	12,025	2,877	13,695
Unallocated net foreign exchange losses and fair value change of foreign currency forward contracts	(21,413)	(36,676)	(71,372)	(91,815)
Unallocated general and administrative expenses	(40,459)	(35,696)	(161,972)	(127,911)
Unallocated adjustments on change of gross obligations to acquire non-controlling interests and contingent consideration for acquisitions	6,698	6,676	6,698	21,621
Other expenses	(66,792)	-	(147,476)	-
Profit before taxation from continuing operations	128,919	362,895	826,080	1,028,997
Segment profit %				
Semiconductor solutions				
- Before one-off inventory provision	12.2%	8.8%	11.1%	6.8%
- After one-off inventory provision	3.8%	8.8%	8.6%	6.8%
Surface mount technology solutions	10.4%	14.6%	9.8%	13.2%

2. SEGMENT INFORMATION – continued

No analysis of the Group's assets and liabilities (except for additions to property, plant and equipment 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. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other income, unallocated net foreign exchange losses and fair value change of foreign currency forward contracts, unallocated general and administrative expenses, unallocated adjustments on change of gross obligations to acquire non-controlling interests and contingent consideration for acquisitions and other expenses.

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

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

Year ended 31 December 2020	Semiconductor solutions HK\$'000	Surface mount technology solutions HK\$'000	Unallocated general and administrative expenses/ restructuring costs HK\$'000	Total HK\$'000
Continuing operations				
Amounts regularly provided to CODM:				
Additions of property, plant and equipment	157,643	109,319	-	266,962
Additions of intangible assets	-	5,089	-	5,089
Amounts included in the measure of segment profit:				
Amortization for intangible assets	45,375	63,237	-	108,612
Depreciation for property, plant and equipment and right-of-use assets	426,806	170,233	1,301	598,340
Depreciation for investment property	1,744	-	-	1,744
Impairment loss recognized in respect of property, plant and equipment (included in other expenses)	-	-	18,050	18,050
Gains on disposal/ write-off of property, plant and equipment	(7,557)	(1,603)	-	(9,160)
Research and development expenses	1,005,693	615,883	-	1,621,576
Share-based payments	111,387	14,892	26,273	152,552

2. SEGMENT INFORMATION – continued

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

Year ended 31 December 2019	Semiconductor solutions HK\$'000	Surface mount technology solutions HK\$'000	Unallocated general and administrative expenses HK\$'000	Total HK\$'000 (restated)
Continuing operations				
Amounts regularly provided to CODM:				
Additions of property, plant and equipment	385,206	141,587	-	526,793
Additions of intangible assets	25	4,323	-	4,348
Amounts included in the measure of segment profit:				
Amortization for intangible assets	46,044	61,906	-	107,950
Depreciation for property, plant and equipment and right-of-use assets	400,942	208,178	1,379	610,499
Depreciation for investment property	1,331	-	-	1,331
Gains on disposal/write-off of property, plant and equipment	(4,579)	(87)	-	(4,666)
Research and development expenses	1,115,166	587,599	-	1,702,765
Share-based payments	146,052	16,263	21,322	183,637

2. SEGMENT INFORMATION – continued

Geographical information

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

	Non-current assets	
	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Mainland China	1,397,999	1,727,785
Europe	1,107,185	1,182,435
- Germany	700,776	766,115
- Portugal	179,185	179,498
- United Kingdom	160,205	172,282
- Others	67,019	64,540
Singapore	936,807	944,722
Hong Kong	858,683	945,130
Malaysia	481,665	612,431
Americas	444,059	481,378
- United States of America (“USA”)	439,221	474,208
- Others	4,838	7,170
Taiwan	21,722	9,901
Korea	19,813	20,658
Others	17,373	14,073
	5,285,306	5,938,513

Note: Non-current assets excluded goodwill, other investments, interest in a joint venture and deferred tax assets.

2. SEGMENT INFORMATION – continued

Geographical information – continued

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

	Revenue from external customers	
	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Mainland China	6,567,318	5,448,096
Europe	2,041,325	2,527,902
- Germany	616,578	923,437
- Romania	171,279	155,685
- Hungary	139,997	222,348
- France	123,115	147,198
- Poland	122,541	88,748
- Others	867,815	990,486
Americas	1,224,208	1,354,955
- USA	895,644	1,015,699
- Mexico	115,313	176,698
- Others	213,251	162,558
Taiwan	1,188,760	468,166
Hong Kong	842,809	934,559
Malaysia	663,329	814,880
Korea	657,503	487,527
Japan	649,567	676,543
Thailand	281,389	158,535
Vietnam	186,516	594,927
Singapore	158,323	112,417
Philippines	125,583	234,312
India	71,384	153,021
Others	42,236	64,329
	14,700,250	14,030,169

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

3. COST OF SALES

The Group commissioned a comprehensive review with several key initiatives to enhance the Group's market position, operational efficiency and optimize its cost structure. One key initiative is to simplify the Group's product portfolio and this has resulted in a one-off provision for inventory totalling HK\$199,337,000, charged to cost of sales during the year ended 31 December 2020.

4. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS

	Three months ended			
	31 December 2020 HK\$'000 (unaudited)	30 September 2020 HK\$'000 (unaudited)	30 June 2020 HK\$'000 (unaudited)	31 March 2020 HK\$'000 (unaudited)
Segment revenue from external customers				
From continuing operations				
Semiconductor solutions	2,376,621	1,914,521	2,163,336	1,512,867
Surface mount technology solutions	1,932,885	1,750,713	1,583,156	1,466,151
	4,309,506	3,665,234	3,746,492	2,979,018
From discontinued operation				
Materials	608,426	602,541	574,757	401,270
	4,917,932	4,267,775	4,321,249	3,380,288
Segment profit				
From continuing operations				
Semiconductor solutions	90,553	177,920	335,683	84,519
Surface mount technology solutions	200,526	171,724	158,615	126,364
	291,079	349,644	494,298	210,883
From discontinued operation				
Materials	55,760	83,173	58,079	15,844
	346,839	432,817	552,377	226,727
Segment profit %				
Semiconductor solutions				
- Before one-off inventory provision	12.2%	9.3%	15.5%	5.6%
- After one-off inventory provision	3.8%	9.3%	15.5%	5.6%
Surface mount technology solutions	10.4%	9.8%	10.0%	8.6%
Materials	9.2%	13.8%	10.1%	3.9%

4. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS – continued

	Three months ended			
	31 December	30 September	30 June	31 March
	2019	2019	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue from external customers				
From continuing operations				
Semiconductor solutions	2,026,073	1,823,371	1,616,814	1,537,196
Surface mount technology solutions	1,906,260	1,843,864	1,549,704	1,726,887
	<u>3,932,333</u>	<u>3,667,235</u>	<u>3,166,518</u>	<u>3,264,083</u>
From discontinued operation				
Materials	516,566	492,119	448,256	395,932
	<u>4,448,899</u>	<u>4,159,354</u>	<u>3,614,774</u>	<u>3,660,015</u>
Segment profit				
From continuing operations				
Semiconductor solutions	178,182	178,996	66,558	52,875
Surface mount technology solutions	278,032	226,349	208,825	213,398
	<u>456,214</u>	<u>405,345</u>	<u>275,383</u>	<u>266,273</u>
From discontinued operation				
Materials	9,816	18,251	19,777	10,472
	<u>466,030</u>	<u>423,596</u>	<u>295,160</u>	<u>276,745</u>
Segment profit %				
Semiconductor solutions	8.8%	9.8%	4.1%	3.4%
Surface mount technology solutions	14.6%	12.3%	13.5%	12.4%
Materials	1.9%	3.7%	4.4%	2.6%

5. DEPRECIATION AND AMORTIZATION

During the year, depreciation and amortization arising from continuing operations amounting to HK\$392.0 million (2019 (restated): HK\$415.6 million), HK\$206.3 million (2019 (restated): HK\$194.9 million), HK\$1.7 million (2019: HK\$1.3 million) and HK\$108.6 million (2019: HK\$108.0 million) were charged to profit or loss in respect of the Group's property, plant and equipment, right-of-use assets, investment properties and intangible assets, respectively.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000 (restated)
The gains and losses comprise:		
Continuing operations		
Net foreign exchange losses	(145,962)	(37,019)
Gain (loss) on fair value change of foreign currency forward contracts	74,590	(54,796)
Gains on disposal/write-off of property, plant and equipment	9,160	4,666
Gain (loss) on derecognition and modification of right-of-use assets	965	(190)
Gains on change of gross obligations to acquire non-controlling interests and contingent consideration for acquisitions	6,698	21,621
Others	(586)	11,726
	<u>(55,135)</u>	<u>(53,992)</u>

7. OTHER EXPENSES

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Restructuring costs (Note a)	55,950	-
Other expenses (Note b)	91,526	-
	<u>147,476</u>	<u>-</u>

7. OTHER EXPENSES - continued

Notes:

- (a) During the year ended 31 December 2020, an impairment relating to property, plant and equipment of HK\$18,050,000 and supplier contracts termination costs of HK\$37,900,000, was charged to restructuring costs resulted from the product portfolio simplification of the Group and more details are described in note 3.
- (b) During the year ended 31 December 2020, some expenses amounting to HK\$91,526,000 directly related and attributable to the COVID-19 event arising from continuing operations were classified as a separate line item under 'other expenses'. Of this amount, HK\$40,711,000 was attributable to staff, space and depreciation expenses that the Group bore despite the affected facilities not being operational (in compliance with respective government mandated closures). Another HK\$50,815,000 concerned incremental costs from miscellaneous measures including higher freight costs, and additional transport arrangements and procurement of personal protective equipment to ensure staff health and safety.

8. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Interest on bank borrowings	73,214	87,322
Interest on lease liabilities	52,692	55,478
Loans arrangement fee	117	23,617
Interest on convertible bonds	-	35,951
Others	33,339	11,045
	159,362	213,413
Fair value loss reclassified from equity to profit or loss on interest rate swaps designated as cash flow hedges	8,328	-
	167,690	213,413

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
The charge (credit) comprises:		
Current tax:		
Hong Kong	41,162	34,308
People's Republic of China ("PRC")		
Enterprise Income Tax	146,515	49,870
Other jurisdictions	121,452	225,025
	309,129	309,203
(Over)underprovision in prior years:		
Hong Kong	(4,185)	81,151
PRC Enterprise Income Tax	(1,862)	(17,197)
Other jurisdictions	61,789	(25,771)
	55,742	38,183
Deferred tax credit	(175,403)	(15,676)
	189,468	331,710

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, 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 2019 and 2020.
- (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% (2019: 25%), except for ASM Technology China Limited ("ATC"). ATC obtain a new advanced technology service enterprise ("ATSE") Certificate in July 2018. According to the tax circular Caishui [2017] No. 79, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15%. The renewed ATSE recognition has no expiry date while ATC shall keep proper records for its fulfilment of recognition criteria as an ATSE.

9. INCOME TAX EXPENSE – continued

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

On 12 July 2010, EDB also granted ATS an International Headquarters Award (“IHA”) to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period. Income of ATS arising from activities not covered under the IHA is taxed at the prevailing corporate tax rate in Singapore of 17% (2019: 17%).

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

- (d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (2019: 15.00%) plus 5.50% (2019: 5.50%) solidarity surcharge thereon for the assessable profit for the year. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 14.108% to 17.150% (2019: 13.970% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates are between 29.933% to 32.975% (2019: 29.795% to 32.975%).
- (e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDENDS

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
<u>Dividend recognized as distribution during the year</u>		
Interim dividend for 2020 paid of HK\$0.70 (2019: HK\$1.30) per share on 408,895,533 (2019: 406,671,333) shares	286,227	528,673
Final dividend for 2019 paid of HK\$0.70 (2019: final dividend for 2018 paid of HK\$1.40) per share on 408,895,533 (2019: 406,671,333) shares	286,227	569,340
	<u>572,454</u>	<u>1,098,013</u>

Subsequent to the end of the reporting period, a final dividend of HK\$2.00 (2019: final dividend of HK\$0.70) per share in respect of the year ended 31 December 2020 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. DIVIDENDS - continued

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
<u>Dividend proposed subsequent to the end of the reporting period</u>		
Proposed final dividend for 2020 of HK\$2.00 (2019: HK\$0.70) per share on 410,796,133 (2019: 408,895,533) shares	821,592	286,227

11. EARNINGS PER SHARE

From continuing operations

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Profit for the period attributable to owners of the Company (from continuing and discontinued operations)	1,000,304	216,458	1,621,516	619,249
Less: (Profit) loss for the period from discontinued operation	(891,079)	106,651	(993,891)	74,909
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	109,225	323,109	627,625	694,158
	Three months ended 31 Dec		Year ended 31 Dec	
	2020	2019	2020	2019
	Number of shares		Number of shares	
	(in thousands)		(in thousands)	
	(unaudited)	(unaudited)	(audited)	(audited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	408,976	406,739	408,784	406,533
Effect of dilutive potential shares:				
- Initial Employee Share Incentive Scheme	-	2,195	-	2,096
- New Employee Share Incentive Scheme	1,837	-	1,634	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	410,813	408,934	410,418	408,629

11. EARNINGS PER SHARE - continued

From discontinued operation

For the year ended 31 December 2020, basic earnings per share for the discontinued operation is HK\$2.43 per share (2019: HK\$0.18 loss per share) and diluted earnings per share for the discontinued operation is HK\$2.42 per share (2019: HK\$0.18 loss per share), based on the profit for the year from the discontinued operation of approximately HK\$993,891,000 (2019: loss of HK\$74,909,000) and the denominators detailed above for both basic and diluted earnings per share.

For the three months ended 31 December 2020, basic earnings per share for the discontinued operation is HK\$2.18 per share (2019: HK\$0.26 loss per share) and diluted earnings per share for the discontinued operation is HK\$2.17 per share (2019: HK\$0.26 loss per share), based on the profit for the period from the discontinued operation of approximately HK\$891,079,000 (2019: loss of HK\$106,651,000) and the denominators detailed above for both basic and diluted earnings per share.

12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables (Note)	3,807,458	4,324,297
Value added tax recoverable	295,100	198,590
Tax reserve certificate recoverable	-	3,828
Other receivables, deposits and prepayments	202,873	183,455
	4,305,431	4,710,170

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

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Not yet due (Note)	2,941,406	2,947,345
Overdue within 30 days	367,471	579,536
Overdue 31 to 60 days	227,410	388,540
Overdue 61 to 90 days	157,021	91,654
Overdue over 90 days	114,150	317,222
	3,807,458	4,324,297

Note: The amount included notes receivables amounting to HK\$470,572,000 (2019: HK\$778,536,000) 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 2019, trade receivables from contracts with customers amounted to HK\$5,497,113,000.

12. TRADE AND OTHER RECEIVABLES - continued

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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$866,052,000 (2019: HK\$1,376,952,000) are past due as at the reporting date. The Group considers the information developed internally or obtained from external sources and considered that the debtor is likely to pay its creditors, including the Group, and the past due balances are therefore, not considered as in default.

13. TRADE LIABILITIES AND OTHER PAYABLES

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade payables	1,454,939	1,406,438
Deferred income (Note a)	118,925	104,991
Accrued salaries and wages	278,667	294,719
Other accrued charges	562,727	475,557
Payables arising from acquisition of property, plant and equipment	62,759	139,421
Gross obligation to acquire non-controlling interest	88,815	-
Contingent consideration for acquisitions	-	29,489
Other payables (Note b)	218,026	219,796
	2,784,858	2,670,411

Notes:

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

13. TRADE LIABILITIES AND OTHER PAYABLES - continued

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

	At 31 December	
	2020	2019
	HK\$'000	HK\$'000
Not yet due	1,155,582	1,145,346
Overdue within 30 days	210,998	165,684
Overdue 31 to 60 days	49,278	53,644
Overdue 61 to 90 days	13,994	22,238
Overdue over 90 days	25,087	19,526
	<u>1,454,939</u>	<u>1,406,438</u>

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

14. GAIN ON DEEMED DISPOSAL OF SUBSIDIARIES

On 28 July 2020, the Group entered into a subscription agreement (the “Subscription Agreement”) with the independent third parties, pursuant to which Advanced Assembly Materials International Limited (“AAMI”) (formerly known as ASM Materials Hong Kong Limited), a wholly-owned subsidiary of the Company, shall issue new shares to the investors subject to the satisfaction of the closing conditions as set out in the Subscription Agreement which the investors shall then have 55.56% of AAMI’s enlarged total issued shares (the “Transaction”). AAMI, together with its subsidiaries, carried out the Group’s materials business.

The lead frame industry requires economies of scale in order to achieve sustainable production efficiency. Over the past few years, there has been a consolidation trend among its market participants. The complementary strengths of the Group and the investors can help to accelerate AAMI’s growth in the lead frame industry. The Transaction was completed on 28 December 2020, which was the last date that the Group executed control of AAMI. The Group’s materials business was treated as discontinued operation.

Gain on deemed disposal of subsidiaries:

	HK\$'000
Consideration received	775,140
Net assets disposed of	(1,092,189)
Interest in a joint venture	1,240,001
Reclassification of cumulative translation reserve upon deemed disposal of AAMI to profit or loss	8,896
Written off costs incurred	(26,989)
Transaction costs	(45,817)
Gain on deemed disposal	<u>859,042</u>

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities except that an independent professional trustee appointed by the Board under the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 330,300 shares in the Company at a total consideration of approximately HK\$26.3 million (excluding ancillary trading fees, costs and expenses directly attributable to the purchase).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020.

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

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2020 in conjunction with the Company’s external auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures as set out in the preliminary announcement in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants. Consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Miss Orasa Livasiri (Chairman), Mr. John Lok Kam Chong, Mr. Wong Hon Yee and Mr. Eric Tang Koon Hung as Independent Non-Executive Directors, Mr. Benjamin Loh Gek Lim and Mr. Petrus Antonius Maria van Bommel as Non-Executive Directors, and Mr. Robin Gerard Ng Cher Tat, Mr. Guenter Walter Lauber and Ms. Patricia Chou Pei-Fen as Executive Directors.

On behalf of the Board
Robin Gerald Ng Cher Tat
Director

Hong Kong, 25 February 2021