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## **ASM PACIFIC TECHNOLOGY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0522)**

### **Announcement Of 2021 Audited Results For The Year Ended 31 December 2021**

#### **Record FY2021 EPS HK\$7.72 Beats Market Consensus Strategic Initiatives Underpin Long Term Performance**

##### **Group Financial Highlights for Q4 2021**

- \* Revenue of HK\$6.20 billion (US\$796.3 million), a 43.9% YoY increase
- \* Bookings of HK\$5.25 billion (US\$674.2 million), a 25.0% YoY increase
- \* Gross margin<sup>1</sup> of 41.3%, a 1,051 bps YoY increase
- \* Operating margin<sup>1</sup> of 20.0%, a 1,438 bps YoY increase
- \* Net profit<sup>1</sup> of HK\$910.8 million, a 693.8% YoY increase

##### **Group Financial Highlights for FY 2021**

- \* Record revenue of HK\$21.95 billion (US\$2.82 billion), a 49.3% YoY increase
- \* Record bookings of HK\$26.12 billion (US\$3.36 billion), a 65.6% YoY increase
- \* Gross margin<sup>1</sup> of 40.6%, a 563 bps YoY increase
- \* Operating margin<sup>1</sup> of 18.9%, a 1,143 bps YoY increase
- \* Record net profit<sup>1</sup> of HK\$3.18 billion, a 398.8% YoY increase
- \* Order backlog of HK\$10.06 billion (US\$1.29 billion) as of 31 December 2021
- \* Full Year 2021 dividend per share of HK\$3.90, around 44.4% YoY increase

##### **Revenue Guidance for Q1 2022**

- \* US\$640 million to US\$690 million

##### *Note*

<sup>1</sup> Q4 2020 and FY 2020 results are on continuing operations basis (see page 13). The Group's former Materials Segment results are deconsolidated and equity accounted for since 29 December 2020.

The Directors of ASM Pacific Technology Limited are pleased to deliver the following announcement of audited results for the year ended 31 December 2021:

## RESULTS SUMMARY

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) delivered revenue of HK\$21.95 billion (US\$2.82 billion) for the fiscal year ended 31 December 2021, which was 49.3% higher than the preceding year’s revenue, from continuing operations. The Group’s consolidated profit after taxation for the year was HK\$3.18 billion, an increase of 398.8% versus profit of HK\$636.6 million for the previous year, from continuing operations. Basic earnings per share (“EPS”) from continuing operations for the year amounted to HK\$7.72 (2020: HK\$1.54).

## 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\$2.60** (2020: final dividend of HK\$2.00) per share. Together with the interim dividend of HK\$1.30 (2020: HK\$0.70) per share paid in August 2021, the total dividend payment for year 2021 will be **HK\$3.90** (2020: HK\$2.70) per share.

The proposed final dividend of **HK\$2.60** 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, 10 May 2022 (“2022 AGM”), is to be payable on Tuesday, 31 May 2022 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 May 2022.

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

- (i) from Wednesday, 4 May 2022 to Tuesday, 10 May 2022, 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 2022 AGM. In order to be eligible to attend and vote at the 2022 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 Tuesday, 3 May 2022; and
- (ii) from Monday, 16 May 2022 to Tuesday, 17 May 2022, 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, 13 May 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Group Business Review

In the Group's review of financial year 2021, it is vital to first acknowledge the contributions of the global ASMPT team. The team's perseverance and strong customer-centricity enabled the Group to deliver at record levels amidst a dynamic and challenging macroeconomic environment.

This review will begin with a commentary on notable business highlights that have featured prominently in the Group's 2021 performance. This will be followed by a financial review of the Group and its Segments namely Semiconductor Solutions Segment ("SEMI") and SMT Solutions Segment ("SMT").

## Secular Macro Tailwinds Continue Unabated

The Group's record 2021 performance was underpinned by a few key macro tailwinds including:

- (i) Under-investment in semiconductor capital equipment in previous years;
- (ii) Semiconductor self-sufficiency needs arising from dynamic geopolitical and challenging supply-chain environment;
- (iii) Broad-based end market demand growth after emerging from the pandemic-induced global recession of 2020; and
- (iv) Long-term secular growth trends arising from global digital transformation trends.

## Excellent Execution Amidst Dynamic Supply Chain Situation

While manufacturing utilisation reached record levels, the Group managed to activate a significantly higher proportion of its external manufacturing capacity to respond to these dynamic market conditions. The Group would have delivered even higher output if not for ongoing industry-wide supply chain challenges.

On top of effective capacity allocation, the Group has shifted to just-in-case inventory management for certain key electronics and electrical components to further strengthen its supply chain resilience. While the Group collaborated proactively with suppliers to find solutions to navigate unprecedented supply chain and logistical challenges, it still experienced some component price increases, in particular for spot purchases, along with increased logistics costs. In response, the Group strategically adjusted customer average selling prices to alleviate such cost pressures where feasible.

## Strong Performance from High Growth Sectors

### Advanced Packaging ("AP")

On the back of broadening customer base and widening customer adoption, the Group's comprehensive AP solutions across both its SEMI and SMT segments registered full year 2021 revenue contribution of approximately US\$590 million, representing 35% growth YoY. The book-to-bill ratio for AP solutions was 1.15, higher than in 2020. On a broader perspective, the Group has estimated that its addressable market will progressively expand from US\$1.6 billion in 2021 to US\$2.7 billion in 2026, a compounded annual growth rate ("CAGR") of 11%.

### Automotive

Underpinned by intensifying trends in automotive electrification, the automotive end market applications contributed approximately US\$430 million to the Group's 2021 revenue, more than double last year's level. The Group also added a significant number of new customers in this space in 2021. In the longer term, the Group is confident that its estimated addressable market in the automotive space will grow from US\$1.9 billion in 2021 to US\$2.9 billion in 2026, representing a CAGR of 9%.

## **MANAGEMENT DISCUSSION AND ANALYSIS - continued**

### **Exciting Growth Developments**

#### **Scaling Up Hybrid Bonding for Mass Adoption**

Supported by the need for supply chain diversification and resilience, leading tier-one customers are working closely with the Group to deliver hybrid bonding (“HB”) tools for qualification in 2022. The partnership with EV Group has strong support and recognition from leading customers for its unique HB inline solution, which has also addressed some gaps faced by the industry. The Group believes that HB tools will deliver meaningful contributions from 2023 onwards, in line with its customers’ ramp up plans. Sustained investments in HB reflect the Group’s strong intentions to capture a sizeable share of the HB market.

#### **Significant Order Win for New Generation Chip-to-Wafer TCB**

Over the last few years, the Group’s chip-to-substrate Thermo Compression Bonding (“TCB”) tools have been the tool-of-record at leading tier-one customers. These workhorse TCB tools continue to dominate the share of installations globally. Underpinned by a broadening customer base and greater customer adoption, the Group’s TCB platform is bringing some exciting opportunities that will help cement its dominant market position, as a recent chip-to-substrate TCB order win did to reinforce our position.

Additionally, in support of the heterogeneous integration (“HI”) technology roadmaps of industry partners, the Group recently received orders for a more advanced chip to wafer TCB platform nearing US\$100 million over the next two years, a significant portion of which will be delivered this year. This significant win highlights how the Group’s cutting edge TCB innovations are uplifting its near-term performance. In anticipation of this new business, the Group has scaled up additional manufacturing site and capacity to deliver these next generation chip-to-wafer TCB tools.

Looking ahead, a combination of recently announced bullish capital investment plans from leading semiconductor companies in tandem with the Group’s unique and extensive TCB process knowhow and capabilities, bode well for the Group’s continued leadership as the partner of choice for subsequent generations of TCB tools.

#### **Inflection Point for Advanced Displays**

The Group believes that ongoing accelerated global digital transformation trends also mark an inflection point for the next technology replacement wave as ultra-fine pitch mini LED RGB and micro LED applications progressively emerge to replace conventional displays across both commercial and high-end consumer devices.

Across mainland China, Europe, Japan, Korea, Taiwan, and the US, the Group’s extensive range of customers have been deploying the Group’s broad suite of solutions for laser scribing, solder printing, die attach, and a “best-in-class” die reallocation cum mass bonding in high volume manufacturing (“HVM”) for mini LED applications. Customers have also deployed the Group’s leading edge multi-functional mass transfer cum mass bonding tool, which is already the tool-of-record for all major customers in upcoming high volume production for micro LED applications.

#### **Strategic Breakthrough into Memory Market**

Anchored by leading customers, the Group has made a strategic and meaningful breakthrough in the hitherto under-represented memory market. These memory market customers are adopting the Group’s mainstream wire bond and advanced packaging tools for high volume manufacturing requirements for both conventional memory and high bandwidth memory applications. This represents an important development in the expansion of the Group’s served markets and it is confident about securing a strong market position in this space.

## MANAGEMENT DISCUSSION AND ANALYSIS - continued

### Excellent First Year Performance of AAMI (JV)

Advanced Assembly Materials International Limited (“AAMI”) delivered a strong performance in 2021. AAMI is on track to meet certain mutually agreed profitability targets from 2021 to 2023 set out in the shareholders' agreement, which will likely trigger an increase in the Group's ownership in AAMI from 44.44% to 49% in 2024. This necessitated registering a material non-cash revaluation gain on the Group's investment in AAMI. In addition, AAMI's new capacity investments will come on stream in 2022 and are expected to fuel further growth in the near and longer term. As such, AAMI continues to hold significant importance for the Group.

### Group Financial Review

Please note that the figures in the Group and SEMI segment financial review sections below have excluded one-off items to provide a more meaningful analysis of the Group's financial performance.

(in HK\$ million)	Q4 2021	QoQ	YoY	FY 2021	YoY
<b>Bookings<sup>1</sup></b>	5,250.0 (US\$674.2 million)	-8.2%	+25.0%	26,116.1 (US\$3,361.6 million)	+65.6%
<b>Revenue<sup>1</sup></b>	6,200.7 (US\$796.3 million)	-0.5%	+43.9%	21,947.6 (US\$2,824.0 million)	+49.3%
<b>Gross Margin<sup>1, 2</sup> (%)</b>	41.3%	+76 bps	+588 bps	40.6%	+427 bps
<b>Operating Margin<sup>1, 2</sup> (%)</b>	20.0%	-80 bps	+976 bps	18.9%	+1,007 bps
<b>Net Profit<sup>1, 2, 3</sup></b>	976.4	-2.7%	+182.5%	3,240.7	+273.6%
<b>Net Profit Margin<sup>1, 2, 3</sup> (%)</b>	15.7%	-36 bps	+773 bps	14.8%	+886 bps

#### Notes

<sup>1</sup> results from continuing operations

<sup>2</sup> excluding one-off items of HK\$255.3 million (see note 3 of page 25 and note 7(b) of page 28) and their related tax credit of HK\$24.4 million recorded in Q4 2020 amounting to HK\$230.9 million

<sup>3</sup> excluding one-off items of HK\$65.0 million and their related tax charge of HK\$0.5 million recorded in Q4 2021 amounting to HK\$65.5 million (see page 6)

### FY2021 Group Financial Review

The Group delivered a record full year revenue performance of HK\$21.95 billion (US\$2.82 billion), representing YoY growth of 49.3%. The strong revenue performance was also influenced by positive developments in the following end-markets:

- (i) The Automotive, Consumer and Industrial markets expanded significantly with revenue more than doubling YoY, contributing around 16%, 23% and 10% of Group revenue respectively. Backed by its comprehensive product portfolio and unique process knowhow, the Group witnessed strong momentum in customer acquisitions;
- (ii) The Communications market experienced strong double digit YoY growth, contributing around 22% of Group revenue. This growth was achieved on the back of strong System-in-Package (“SiP”) requirements for smartphone and wearables applications; and
- (iii) The Computing market, which contributed approximately 12% to Group revenue, experienced strong momentum from high performance computing (“HPC”) applications.

Geographically, China (including Hong Kong), Europe, Taiwan, the Americas and Malaysia accounted for approximately 84.6% of full year revenue. Over the last 12 months, the Group experienced a low degree of customer revenue concentration risk since its top five customers accounted for only about 13.7% of total revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS - continued

In bookings, the Group experienced a record year of HK\$26.12 billion (US\$3.36 billion), representing YoY expansion of 65.6%. Notably, both the Group's SEMI and SMT segments also achieved record bookings, with SEMI comprising the majority. Supported by this record bookings performance, the Group ended the year with a strong backlog of HK\$10.06 billion (US\$1.29 billion), and a book-to-bill ratio of 1.19.

The Group's gross margin was 40.6%, a 427 bps increase YoY. Both the Group's SEMI and SMT segments achieved stronger gross margins, with a higher revenue contribution from the SEMI segment. Other factors were high operating leverage and positive margin accretive effects from the Group's strategic initiatives. However, some of these improvements were partially offset by cost impacts associated with component cost increases and higher logistical costs due to a constrained global supply chain environment.

The Group's operating margin was 18.9%, representing YoY expansion of 1,007 bps. This was mainly due to the effect of higher operating leverage as a result of record deliveries.

On the back of its strong margins performance, the Group's net profit (including share of results from AAMI) reached record levels to the tune of HK\$3.24 billion, an increase of 273.6% YoY. This record net profit excludes a one-off non-cash net charge of HK\$65.0 million and related tax impact of HK\$0.5 million. This one-off net charge comprised a non-cash revaluation gain of HK\$184.2 million relating to the Group's investment in AAMI. However, this gain was offset by two items:

- (i) A non-cash goodwill impairment charge of HK\$224.8 million related to the carrying acquisition value of AMICRA. When acquired in 2018, AMICRA was a tangible asset light business, while heavily backed by intangible intellectual property assets. This translated to a fair amount of purchase consideration being reflected in goodwill at the point of acquisition. While the Group has recognised the goodwill impairment charge, it remains confident of AMICRA's unique market leading technology to capture long-term secular opportunities arising from silicon photonics applications, particularly in cloud computing and emerging high end wearable markets; and
- (ii) A provision of HK\$24.4 million arising from supplier contract termination actions as part of the product portfolio simplification initiative.

Disciplined capital management enabled the Group to register record cash and bank deposits of HK\$4.88 billion at the end of 2021 (versus 2020 HK\$4.46 billion).

### Q4 2021 Group Financial Review

The Group delivered a strong revenue performance of HK\$6.20 billion (US\$796.3 million), representing growth of 43.9% YoY but a slight decline QoQ. This exceeded the top end of revenue guidance between US\$720 million to US\$770 million issued in the previous quarter's results announcement.

The Group's bookings of HK\$5.25 billion (US\$674.2 million) was an increase of 25.0% YoY, but a sequential decline of 8.2%. This dip was largely due to a high base effect and general seasonality trends. Of note, this quarter's bookings remain elevated compared with prior years' Q4 levels.

The Group's gross margin of 41.3% represented a YoY and QoQ improvement of 588 bps and 76 bps respectively, with YoY improvement due largely to relatively stronger gross margin performance across both SEMI and SMT segments.

## MANAGEMENT DISCUSSION AND ANALYSIS - continued

The Group's operating margin of 20.0% represented a YoY improvement of 976 bps and a QoQ decline of 80 bps.

The Group's net profit (which includes share of results from AAMI) of HK\$976.4 million was a record Q4, representing YoY improvement of 182.5% but QoQ decline of 2.7%.

### Semiconductor Solutions Segment Financial Review

(in HK\$ million)	Q4 2021	QoQ	YoY	FY 2021	YoY
<b>Bookings</b>	2,787.4 (US\$358.0 million)	-21.4%	+7.8%	15,939.0 (US\$2,052.0 million)	+77.4%
<b>Revenue</b>	4,097.0 (US\$526.2 million)	+15.5%	+72.4%	13,513.9 (US\$1,738.9 million)	+69.6%
<b>Gross Margin<sup>1</sup> (%)</b>	43.7%	+13 bps	+468 bps	43.8%	+304 bps
<b>Segment Profit<sup>1</sup></b>	994.2	+24.4%	+242.9%	3,025.9	+240.7%
<b>Segment Margin<sup>1</sup> (%)</b>	24.3%	+174 bps	+1,207 bps	22.4%	+1,125 bps

Note

<sup>1</sup> excluding one-off item recorded in Q4 2020 of HK\$199.3 million (see note 3 of page 25)

The segment registered strong Q4 2021 revenue of HK\$4.10 billion (US\$526.2 million), representing 66.1% of Group revenue and robust growth of 72.4% YoY and 15.5% QoQ. This strong performance was due to the following:

- (i) The IC/Discrete Business Unit's ("BU") mainstream tools experienced strong YoY revenue growth, with wire bonders, die bonders and test handlers dominating deliveries. Notably, its 12-inch die bonders gained market share and dominated global installations of such equipment in 2021.

Some of its AP solutions, in particular advanced placement flip chip bonders, laser dicing and grooving equipment and panel level electrochemical deposition ("ECD") tools, delivered strong YoY growth;

- (ii) The Optoelectronics BU recorded strong YoY revenue performance across the board, with conventional & advanced displays, general lighting and photonics customers accounting for majority of the deliveries. In particular, silicon photonics applications delivered consecutive quarters of QoQ growth; and
- (iii) The CIS BU's active alignment tools registered a YoY improvement in revenue, supported by its broad customer base. However, the overall BU's revenue declined largely due to the widely-reported semiconductor supply bottlenecks that impacted near-term outlook of the smartphone manufacturing value chain.

The segment registered strong Q4 2021 bookings of HK\$2.79 billion (US\$358.0 million), representing YoY growth of 7.8% but QoQ decline of 21.4%; this decline is in line with general seasonality trends. Despite this, bookings remained elevated compared with the Q4s of prior years. The demand for mainstream die and wire bonders, together with advanced packaging panel level ECD tools and TCB tools, accounted for the majority of segment bookings.

Segment Q4 2021 gross margin was 43.7%, a YoY expansion of 468 bps and a slight increase QoQ. YoY improvement was largely influenced by a few factors. These include improved operating leverage arising from elevated volume and capacity utilisation, increased workforce productivity, and positive accretive effects from strategic initiatives. These improvements were partially tempered by expenditure related to strengthen supply chain resilience and logistics cost impact arising from global supply chain challenges.

## MANAGEMENT DISCUSSION AND ANALYSIS - continued

Segment profit achieved a quarterly record of HK\$994.2 million in Q4 2021, an improvement of 242.9% YoY and 24.4% QoQ.

### SMT Solutions Segment Financial Review

(in HK\$ million)	Q4 2021	QoQ	YoY	FY 2021	YoY
<b>Bookings</b>	2,462.6 (US\$316.2 million)	+13.4%	+52.7%	10,177.1 (US\$1,309.7 million)	+50.0%
<b>Revenue</b>	2,103.7 (US\$270.1 million)	-21.7%	+8.8%	8,433.7 (US\$1,085.1 million)	+25.3%
<b>Gross Margin (%)</b>	36.7%	+10 bps	+566 bps	35.5%	+441 bps
<b>Segment Profit</b>	325.8	-43.0%	+62.5%	1,377.3	+109.6%
<b>Segment Margin (%)</b>	15.5%	-581 bps	+511 bps	16.3%	+657 bps

Segment Q4 2021 revenue performance was strong at HK\$2.10 billion (US\$270.1 million), accounting for 33.9% of this quarter's Group revenue. This represented growth of 8.8% YoY and decline of 21.7% QoQ. Segment revenue performance was driven by the following:

- (i) Mainstream high-end placement tools dominated deliveries;
- (ii) AP tools, in particular SiP placement tools, delivered YoY growth amidst rising customer needs for mobile and wearables applications; and
- (iii) Mainstream printing tools performed well, with the new printer platform series gaining strong customer interest; this bodes well for its near-term performance.

The Segment achieved strong Q4 2021 bookings of HK\$2.46 billion (US\$316.2 million), an improvement of 52.7% YoY and 13.4% QoQ. The demand momentum from industrial and automotive customers continued into Q4.

Segment Q4 2021 gross margin was 36.7%, an expansion of 566 bps YoY and 10 bps QoQ. YoY improvement was mainly due to a combination of higher operating leverage arising from relatively higher volume and capacity utilisation, a favourable product mix and positive margin effects arising from ongoing strategic initiatives. These improvements were partially offset by costs to reinforce supply chain resilience, and higher logistics expenses arising from global supply chain constraints.

Segment profit was HK\$325.8 million in Q4 2021, a YoY increase of 62.5% and QoQ decrease of 43.0%. Notably, for the full year 2021, segment profit achieved a record of HK\$1.38 billion, a 109.6% YoY increase.

### REVENUE GUIDANCE FOR Q1 2022

The Group expects the challenging supply chain environment to persist and impact the broader market in 2022. While this dynamic situation remains a concern, the Group is anchored by a strong order backlog and expects revenue for Q1 2022 to be between US\$640 million to US\$690 million, a record Q1 at the mid-point of guidance.

## **STRATEGIC INITIATIVES UNDERPIN LONG TERM PERFORMANCE**

Riding on secular macro tailwinds and its strong performance, the Group confidently rolled out growth and cost optimisation strategic initiatives which will unfold in distinct phases over the next few years.

### **Growth Initiatives**

#### **(i) Widen Technological Leadership in Advanced Packaging Tools**

##### **Grow in Emerging Markets**

- Anchored by a leading memory customer, the Group is confident of capturing emerging high bandwidth memory opportunities for TCB solutions.
- Mass transfer and mass bonding solutions are ready to address customers' HVM needs for mini LED and micro LED applications.
- Increasing SiP requirements will further drive demand for SMT SiP Placement and Multi-Chip Module Bonding solutions.
- Hybrid Bonding solutions are expected to ramp up for HVM from 2023 onwards for HPC applications.

##### **Intensify Process Innovation**

- Investing in advanced process innovations to widen its technological position in ultra-fine pitch Thermo-Compression Bonding, sub-surface laser dicing, ultra-precision glass stacking for augmented reality and virtual reality and laser-assisted mass bonding for mini and micro LED applications.

#### **(ii) Grow Market Share in Mainstream and Applicative Tools**

##### **Expand in Adjacent Markets**

- Breakthrough in the memory market will benefit the Group's mainstream tools in the near term, particularly wire bonders.
- Capture new opportunities at an accelerated pace in the automotive camera assembly and test solutions space, leveraging the leadership position of the Group's newly acquired company, Automation Engineering, Inc ("AEI").
- Tap growth opportunities in electric vehicles, energy and power semiconductors, which will benefit the Group's silver sintering solutions.
- Capture new opportunities in fuel cell manufacturing through SMT segment's printing solutions.

##### **Product Enhancements**

- The Group is enhancing its product capabilities to further strengthen its strong market position in the areas of ultra-short pulse laser dicing and grooving, 12-inch die bonding, high power module assembly and camera packaging for AR/VR.

#### **(iii) Actualising the 'AIoT'-enabled Smart Factory of the Future**

- Powered by Industry 4.0 digitalisation and the intensifying automation needs of electronics manufacturers, the Group has enjoyed strong growth for its range of software solutions, including its manufacturing execution system software suite. In addition, the Group has also developed a unique software-based framework that it calls 'AIoT', or 'Artificial Intelligence of Things'. This consists of integrated software solutions that blend connectivity, monitoring and analytics capabilities with AI-driven machine learning. All of these efforts are expected to progressively deliver significant value to the Group's customers.

## **STRATEGIC INITIATIVES UNDERPIN LONG TERM PERFORMANCE – continued**

### **Cost Optimisation Initiatives**

- (i) Improving product and operational cost structures, including procurement and design-to-cost actions; and
- (ii) Enhancing scalability and flexibility in capacity and supply chain management, in particular the optimal mix of internal and external manufacturing, to help navigate the peaks and troughs of business cycles in this industry.

These initiatives will translate into long term shareholder value creation through:

- (i) Reducing cyclicity in Group revenue and profitability through business cycles in this industry; and
- (ii) Achieving structural revenue growth and margins expansion for the Group's long term performance.

## **LEADING EDGE RESEARCH AND DEVELOPMENT**

Sustained Research and Development (“R&D”) investment will be critical for delivering the required semiconductor and technology breakthroughs that will tap secular growth opportunities to 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.

### **Extensive R&D Infrastructure**

With a total staff strength of more than 2,200, the Group's R&D team is focused on delivering highly innovative products from several R&D centres worldwide - the Americas (Boston), Asia (Chengdu, Hong Kong, Huizhou, Shenzhen, Singapore & Taoyuan) and Europe (Beuningen, Munich, Porto, Regensburg & Weymouth). Along with consistent annual R&D spend of about 10% of Group's equipment revenue over many years (2021: HK\$1.95 billion versus 2020: HK\$1.62 billion), the Group has delivered close to 2,000 patents and pending patents to date.

### **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.

ETG (presently about 550 strong) enables the Group to rapidly harness the potential of dynamic technology developments. Crucially, the ETG's technology experts are able to efficiently connect and collaborate with other technology leaders on advanced technology 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

With the completed divestment of 55.56% of the Group's Materials Segment on 28 December 2020, the Group's continuing operations refer to its business activities that exclude the Materials Segment.

Cash and bank deposits as of 31 December 2021 increased significantly by 9.5% to HK\$4.88 billion (2020: HK\$4.46 billion). During 2021, HK\$1.36 billion was paid as dividends (2020: HK\$572.5 million). Capital additions during the year amounted to HK\$369.3 million (2020: HK\$272.0 million), which was fully funded by the year's depreciation and amortization of HK\$526.2 million (2020: HK\$556.4 million), excluding the depreciation of right-of-use assets of HK\$216.6 million (2020: HK\$206.4 million) as per HKFRS 16 in the current year.

As of 31 December 2021, the debt-to-equity ratio of 17.5% (2020: 23.1%). Debts include all bank borrowings and lease liabilities under hire purchase arrangements. The Group had available banking facilities of HK\$3.34 billion (US\$428.2 million) (2020: HK\$2.30 billion (US\$296.6 million)) in the form of bank loans and overdraft facilities, of which HK\$1.86 billion (US\$238.5 million) (2020: HK\$775.3 million (US\$100.0 million)) were committed borrowing facilities. 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\$2.70 billion as of 31 December 2021 (2020: HK\$3.05 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\$15.28 billion (2020: HK\$13.17 billion) as at 31 December 2021.

As of 31 December 2021, 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.

The Group has maintained a strong track record of rewarding its shareholders with consistent dividends every year since listing on HKEX in 1989. A final dividend of HK\$2.60 per share is proposed. In addition to the interim dividend of HK\$1.30 per share paid in August 2021, this represents a dividend per share increase of 44.4% compared with 2020.

## LIQUIDITY AND FINANCIAL RESOURCES – continued

### SIGNIFICANT INVESTMENT

As at 31 December 2021, 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\$1.41 billion
(iii) The investment's size relative to the Group's total assets:	5.2%
(iv) The performance of the investment in AAMI:	For the year ended 31 December 2021, the share of results of AAMI was HK\$138 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 lead frame business

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 31 Dec		Year ended 31 Dec	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(audited)	(audited)
	<i>Notes</i>				
<b>Continuing operations</b>					
Revenue	2	6,200,737	4,309,506	21,947,637	14,700,250
Cost of sales	3	(3,638,270)	(2,981,393)	(13,040,030)	(9,561,369)
Gross profit		2,562,467	1,328,113	8,907,607	5,138,881
Other income		21,754	10,904	133,384	102,596
Selling and distribution expenses		(485,480)	(408,538)	(1,802,229)	(1,521,751)
General and administrative expenses		(291,694)	(243,313)	(1,009,395)	(901,769)
Research and development expenses		(543,451)	(432,997)	(1,954,394)	(1,621,576)
Other gains and losses	6	(19,905)	(8,182)	(43,006)	(55,135)
Other expenses	7	(87,909)	(66,792)	(158,805)	(147,476)
Finance costs	8	(30,104)	(50,276)	(118,422)	(167,690)
Share of result of a joint venture		48,431	-	137,719	-
Profit before taxation		1,174,109	128,919	4,092,459	826,080
Income tax expense	9	(263,288)	(14,177)	(917,279)	(189,468)
Profit for the period from continuing operations		910,821	114,742	3,175,180	636,612
<b>Discontinued operation</b>					
Profit for the period from discontinued operation	10	-	891,079	-	993,891
Profit for the period		910,821	1,005,821	3,175,180	1,630,503
Profit for the period, attributable to owners of the Company					
- from continuing operations		913,006	109,225	3,168,976	627,625
- from discontinued operation		-	891,079	-	993,891
		913,006	1,000,304	3,168,976	1,621,516
(Loss) profit for the period, attributable to non-controlling interests					
- from continuing operations		(2,185)	5,517	6,204	8,987
Profit for the period		910,821	1,005,821	3,175,180	1,630,503
Earnings per share (from continuing and discontinued operations)					
- Basic	12	HK\$2.22	HK\$2.45	HK\$7.72	HK\$3.97
- Diluted		HK\$2.21	HK\$2.43	HK\$7.69	HK\$3.95
Earnings per share (from continuing operations)					
- Basic	12	HK\$2.22	HK\$0.27	HK\$7.72	HK\$1.54
- Diluted		HK\$2.21	HK\$0.27	HK\$7.69	HK\$1.53

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 Dec		Year ended 31 Dec	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (audited)	2020 HK\$'000 (audited)
Profit for the period	<b>910,821</b>	1,005,821	<b>3,175,180</b>	1,630,503
Other comprehensive income (expense)				
<i>Items that will not be reclassified to profit or loss:</i>				
- remeasurement of defined benefit retirement plans, net of tax	<b>41,012</b>	(26,100)	<b>41,012</b>	(26,100)
- net fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	<b>(49,735)</b>	-
	<b>41,012</b>	(26,100)	<b>(8,723)</b>	(26,100)
<i>Items that may be reclassified subsequently to profit or loss:</i>				
- exchange differences on translation of foreign operations				
- subsidiaries	<b>(9,624)</b>	333,464	<b>(207,826)</b>	460,908
- a joint venture	<b>5,492</b>	-	<b>8,484</b>	-
- reclassification of cumulative translation reserve upon deemed disposal of foreign operations	-	(8,896)	-	(8,896)
- fair value gain (loss) on hedging instruments designated as cash flow hedges	<b>17,782</b>	(4,977)	<b>37,011</b>	(55,804)
	<b>13,650</b>	319,591	<b>(162,331)</b>	396,208
Other comprehensive income (expense) for the period, net of income tax	<b>54,662</b>	293,491	<b>(171,054)</b>	370,108
Total comprehensive income for the period	<b>965,483</b>	1,299,312	<b>3,004,126</b>	2,000,611

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - CONTINUED

	Three months ended 31 Dec		Year ended 31 Dec	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Total comprehensive income for the period attributable to:				
Owners of the Company	<b>964,282</b>	1,285,017	<b>2,997,603</b>	1,979,329
Non-controlling interests	<b>1,201</b>	14,295	<b>6,523</b>	21,282
	<b>965,483</b>	1,299,312	<b>3,004,126</b>	2,000,611
Total comprehensive income attributable to owners of the Company:				
- from continuing operations	<b>964,282</b>	393,938	<b>2,997,603</b>	985,438
- from discontinued operation	-	891,079	-	993,891
	<b>964,282</b>	1,285,017	<b>2,997,603</b>	1,979,329

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2021	2020
		HK\$'000	HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		2,337,048	2,407,335
Right-of-use assets		1,600,467	1,601,737
Investment properties		80,451	85,263
Goodwill		926,531	1,159,030
Intangible assets		1,034,999	1,139,436
Other investments		64,202	111,106
Interest in a joint venture		1,386,204	1,240,001
Finance lease receivables		-	4,363
Other financial assets		39,775	-
Deposits paid for acquisition of property, plant and equipment		13,422	9,837
Rental deposits paid		32,510	28,816
Derivative financial instruments		144,386	-
Deferred tax assets		565,883	569,129
Other non-current assets		23,942	8,519
		<b>8,249,820</b>	<b>8,364,572</b>
<b>Current assets</b>			
Inventories		7,455,775	5,773,007
Finance lease receivables		-	372
Trade and other receivables	13	5,875,862	4,305,431
Amounts due from a joint venture and its affiliates		11,328	326
Derivative financial instruments		1,482	45,564
Income tax recoverable		23,638	213,781
Pledged bank deposits		1,223	594
Bank deposits with original maturity of more than three months		200,573	9,774
Bank balances and cash		4,681,090	4,450,564
		<b>18,250,971</b>	<b>14,799,413</b>
<b>Current liabilities</b>			
Trade liabilities and other payables	14	3,608,392	2,784,858
Advance payments from customers		1,779,304	1,239,316
Amounts due to a joint venture and its affiliate		10,629	110,277
Derivative financial instruments		41,585	-
Lease liabilities		197,378	169,730
Provisions		351,944	308,722
Income tax payable		451,489	175,743
Bank borrowings		448,588	547,210
		<b>6,889,309</b>	<b>5,335,856</b>
<b>Net current assets</b>		<b>11,361,662</b>	<b>9,463,557</b>
		<b>19,611,482</b>	<b>17,828,129</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	At 31 December	
	2021 HK\$'000	2020 HK\$'000
<b>Capital and reserves</b>		
Share capital	41,270	41,079
Dividend reserve	1,073,034	821,592
Other reserves	14,161,122	12,306,918
Equity attributable to owners of the Company	15,275,426	13,169,589
Non-controlling interests	136,263	24,658
<b>Total equity</b>	<b>15,411,689</b>	<b>13,194,247</b>
<b>Non-current liabilities</b>		
Bank borrowings	2,250,000	2,500,476
Lease liabilities	1,348,989	1,352,476
Retirement benefit obligations	234,643	319,821
Provisions	53,005	51,345
Derivative financial instruments	18,793	55,804
Deferred tax liabilities	180,674	232,377
Other liabilities and accruals	113,689	121,583
	4,199,793	4,633,882
	<b>19,611,482</b>	<b>17,828,129</b>

**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 (classified as equity instruments at fair value through other comprehensive income (“FVTOCI”)) and certain financial liabilities which are measured at fair value at the end of 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 following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realizable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year 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.

## 1. PRINCIPAL ACCOUNTING POLICIES – continued

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

#### ***1.1 Impacts on application of Amendments to HKFRS9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”***

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures (“HKFRS 7”).

The application of the amendments had no impact on the Group’s consolidated financial statements as none of the relevant contracts has been transferred to the relevant replacement rates during the year ended 31 December 2021. The Group will apply the practical expedient in relation to the changes in contractual cash flow resulting from interest rate benchmark reform. The Group expects no impact on the Group’s designated hedged items/assessment of hedge effectiveness resulting from the reform on application of the amendments.

## 2. SEGMENT INFORMATION

The Group has two (2020: three) operating segments: development, production and sales of (1) semiconductor solutions and (2) surface mount technology solutions (2020: (1) semiconductor solutions, (2) surface mount technology solutions and (3) materials). They represent two (2020: 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 two (2020: 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 completed a deemed disposal of its materials business. As a result, the operating segment concerning the Group’s materials business has been discontinued in 2020; this is described in more detail in note 10. The segment information reported in this note does not include any amounts for the discontinued operation of materials business.

## 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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Continuing operations</b>				
<b>Segment revenue from external customers</b>				
Semiconductor solutions	4,097,020	2,376,621	13,513,918	7,967,345
Surface mount technology solutions	2,103,717	1,932,885	8,433,719	6,732,905
	<b>6,200,737</b>	<b>4,309,506</b>	<b>21,947,637</b>	<b>14,700,250</b>
<b>Segment profit</b>				
Semiconductor solutions	994,151	90,553	3,025,876	688,675
Surface mount technology solutions	325,846	200,526	1,377,284	657,229
	<b>1,319,997</b>	<b>291,079</b>	<b>4,403,160</b>	<b>1,345,904</b>
Interest income	6,012	1,083	12,355	19,111
Finance costs	(30,104)	(50,276)	(118,422)	(167,690)
Share of result of a joint venture	48,431	-	137,719	-
Unallocated other income	8,532	8,999	79,980	2,877
Unallocated net foreign exchange (losses) gain and fair value change of foreign currency forward contracts	(1,072)	(21,413)	37,912	(71,372)
Unallocated general and administrative expenses	(69,084)	(40,459)	(212,401)	(161,972)
Unallocated adjustments on change of gross obligations to acquire non-controlling interests	-	6,698	-	6,698
Unallocated impairment loss recognized in respect of goodwill	(224,824)	-	(224,824)	-
Unallocated other gains and losses	204,130	-	135,785	-
Other expenses	(87,909)	(66,792)	(158,805)	(147,476)
Profit before taxation from continuing operations	<b>1,174,109</b>	<b>128,919</b>	<b>4,092,459</b>	<b>826,080</b>
<b>Segment profit %</b>				
Semiconductor solutions				
- Before one-off inventory provision	24.3%	12.2%	22.4%	11.1%
- After one-off inventory provision	24.3%	3.8%	22.4%	8.6%
Surface mount technology solutions	15.5%	10.4%	16.3%	9.8%

## 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, share of result of a joint venture, unallocated other income, unallocated net foreign exchange (losses) gain 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, unallocated impairment loss recognized in respect of goodwill, unallocated other gains and losses, 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 2021	Semiconductor solutions HK\$'000	Surface mount technology solutions HK\$'000	Unallocated general and administrative expenses/ restructuring costs HK\$'000	Total HK\$'000
<b>Continuing operations</b>				
Amounts regularly provided to CODM:				
Additions of property, plant and equipment	251,403	114,400	-	365,803
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

## 2. SEGMENT INFORMATION – continued

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

Year ended 31 December 2021	Semiconductor solutions HK\$'000	Surface mount technology solutions HK\$'000	Unallocated general and administrative expenses/ restructuring costs HK\$'000	Total HK\$'000
Impairment loss recognized in respect of goodwill (included in other gains and losses)	224,824	-	-	224,824

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

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
<b>Continuing operations</b>				
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	224,260	1,301	652,367
Depreciation for investment properties	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

### Geographical information

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

	<b>Non-current assets</b>	
	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Mainland China	<b>1,455,226</b>	1,397,999
Europe	<b>1,014,187</b>	1,107,185
- Germany	<b>653,601</b>	700,776
- Portugal	<b>147,542</b>	179,185
- United Kingdom	<b>161,717</b>	160,205
- Others	<b>51,327</b>	67,019
Singapore	<b>913,088</b>	936,807
Hong Kong	<b>799,067</b>	858,683
Malaysia	<b>492,019</b>	481,665
Americas	<b>390,436</b>	444,059
- United States of America ("USA")	<b>386,588</b>	439,221
- Others	<b>3,848</b>	4,838
Taiwan	<b>28,197</b>	21,722
Korea	<b>16,464</b>	19,813
Others	<b>14,155</b>	17,373
	<b>5,122,839</b>	5,285,306

Note: Non-current assets excluded goodwill, other investments, interest in a joint venture, other financial assets, derivative financial instruments 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:

	<b>Revenue from external customers</b>	
	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Mainland China	<b>10,495,049</b>	6,567,318
Europe	<b>2,710,008</b>	2,041,325
- Germany	<b>844,514</b>	616,578
- Romania	<b>277,142</b>	171,279
- Hungary	<b>230,216</b>	139,997
- France	<b>139,776</b>	123,115
- Poland	<b>110,802</b>	122,541
- Others	<b>1,107,558</b>	867,815
Taiwan	<b>1,661,671</b>	1,188,760
Americas	<b>1,652,601</b>	1,224,208
- USA	<b>1,062,917</b>	895,644
- Mexico	<b>172,689</b>	115,313
- Canada	<b>95,383</b>	29,093
- Others	<b>321,612</b>	184,158
Malaysia	<b>1,076,308</b>	663,329
Korea	<b>1,028,433</b>	657,503
Hong Kong	<b>962,350</b>	842,809
Thailand	<b>818,292</b>	281,389
Japan	<b>659,576</b>	649,567
Philippines	<b>274,049</b>	125,583
Vietnam	<b>249,995</b>	186,516
Singapore	<b>225,094</b>	158,323
India	<b>87,394</b>	71,384
Others	<b>46,817</b>	42,236
	<b>21,947,637</b>	14,700,250

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

### 3. COST OF SALES

During the year ended 31 December 2020, 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 being charged to cost of sales during the year ended 31 December 2020. No such one-off provision for inventory charged to cost of sales during the year ended 31 December 2021.

### 4. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS

	Three months ended			
	31 December 2021 HK\$'000 (unaudited)	30 September 2021 HK\$'000 (unaudited)	30 June 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (unaudited)
<b>Segment revenue from external customers</b>				
From continuing operations				
Semiconductor solutions	4,097,020	3,547,706	3,165,250	2,703,942
Surface mount technology solutions	2,103,717	2,685,040	2,011,982	1,632,980
	<b>6,200,737</b>	<b>6,232,746</b>	<b>5,177,232</b>	<b>4,336,922</b>
<b>Segment profit</b>				
From continuing operations				
Semiconductor solutions	994,151	799,061	681,004	551,660
Surface mount technology solutions	325,846	571,961	314,347	165,130
	<b>1,319,997</b>	<b>1,371,022</b>	<b>995,351</b>	<b>716,790</b>
<b>Segment profit %</b>				
Semiconductor solutions	24.3%	22.5%	21.5%	20.4%
Surface mount technology solutions	15.5%	21.3%	15.6%	10.1%

#### 4. ANALYSIS OF QUARTERLY SEGMENT REVENUE AND RESULTS - continued

	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)
<b>Segment revenue from external customers</b>				
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
	<u>4,309,506</u>	<u>3,665,234</u>	<u>3,746,492</u>	<u>2,979,018</u>
From discontinued operation				
Materials	608,426	602,541	574,757	401,270
	<u>4,917,932</u>	<u>4,267,775</u>	<u>4,321,249</u>	<u>3,380,288</u>
<b>Segment profit</b>				
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
	<u>291,079</u>	<u>349,644</u>	<u>494,298</u>	<u>210,883</u>
From discontinued operation				
Materials	55,760	83,173	58,079	15,844
	<u>346,839</u>	<u>432,817</u>	<u>552,377</u>	<u>226,727</u>
<b>Segment profit %</b>				
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%

#### 5. DEPRECIATION AND AMORTIZATION

During the year, depreciation and amortization arising from continuing operations amounting to HK\$419.1 million (2020: HK\$446.0 million), HK\$216.6 million (2020: HK\$206.4 million), HK\$5.3 million (2020: HK\$1.7 million) and HK\$101.8 million (2020: HK\$108.6 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  
2021                      2020  
HK\$'000                      HK\$'000

The gains and losses comprise:

### Continuing operations

Impairment loss recognized in respect of goodwill (Note)	(224,824)	-
Net foreign exchange gain (loss)	115,206	(145,962)
(Loss) gain on fair value change of foreign currency forward contracts	(77,294)	74,590
(Loss) gain on disposal/write-off of property, plant and equipment	(9,423)	9,160
Gain on fair value change of derivative relating to share adjustment on earn-out clause in a joint venture	144,386	-
Gain on fair value change of contingent consideration receivable from shareholders of a joint venture	39,775	-
Gain on change of gross obligations to acquire non-controlling interests	-	6,698
Others	(30,832)	379
	<u>(43,006)</u>	<u>(55,135)</u>

Note: During the year ended 31 December 2021, the pace of AMICRA's business growth, along with cashflow projections, was assessed to be more gradual than originally anticipated. As such, the recoverable value was determined to be lower than the carrying amount of assets of AMICRA. This drove the Company to recognize a non-cash impairment of HK\$224,824,000 on goodwill of AMICRA in profit or loss.

## 7. OTHER EXPENSES

Year ended 31 December  
2021                      2020  
HK\$'000                      HK\$'000

### Continuing operations

Provision in relation to the litigation	21,717	-
COVID-19 related expenses (Note a)	-	91,526
Restructuring costs (Note b)	24,413	55,950
Other expenses (Note c)	112,675	-
	<u>158,805</u>	<u>147,476</u>

## 7. OTHER EXPENSES – continued

Notes:

- (a) 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.
- (b) During the year ended 31 December 2021, an impairment relating to property, plant and equipment of nil (2020: HK\$18,050,000) and supplier contracts termination costs of HK\$24,413,000 (2020: 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.
- (c) During the year ended 31 December 2021, consultancy costs of 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.

## 8. FINANCE COSTS

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
<b>Continuing operations</b>		
Interest on bank borrowings	36,986	73,214
Interest on lease liabilities	53,179	52,692
Others	8,038	33,456
	<u>98,203</u>	<u>159,362</u>
Fair value loss reclassified from equity to profit or loss on interest rate swaps designated as cash flow hedges	20,219	8,328
	<u>118,422</u>	<u>167,690</u>

## 9. INCOME TAX EXPENSE

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
<b>Continuing operations</b>		
The charge (credit) comprises:		
Current tax:		
Hong Kong	56,393	41,162
People's Republic of China ("PRC") Enterprise Income Tax	150,089	146,515
Germany	386,307	57,392
Other jurisdictions	215,556	64,060
	<b>808,345</b>	<b>309,129</b>
(Over) under provision in prior years:		
Hong Kong	(40)	(4,185)
PRC Enterprise Income Tax	142,004	(1,862)
Germany	15,841	60,690
Other jurisdictions	28,292	1,099
	<b>186,097</b>	<b>55,742</b>
Deferred tax credit	<b>(77,163)</b>	<b>(175,403)</b>
	<b>917,279</b>	<b>189,468</b>

- (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 2020 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% (2020: 25%), except for ASM Technology China Limited ("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%. The renewed ATSE recognition has no expiry date while ATC shall keep proper records for its fulfillment 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% (2020: 17%).

On 9 December 2020, the PC has been terminated with effect from 1 January 2020 across all product groups, the IHA has expired 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% (2020: 15.00%) plus 5.50% (2020: 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% (2020: 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 14.123% to 17.150% (2020: 14.108% to 17.150%) according to the municipal in which the entity resides. Thus the aggregate tax rates are between 29.948% and 32.975% (2020: between 29.933% and 32.975%).
- (e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. DISCONTINUED OPERATION

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), which was then 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 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.

AAMI became the Group’s joint venture after 28 December 2020 upon completion of the Transaction.

The revenue and profit for the year from the discontinued materials business is set out below.

	<b>Three months ended 31 Dec</b>	<b>Year ended 31 Dec</b>
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Revenue of materials business for the period	608,426	2,186,994
Profit of materials business for the period	32,037	134,849
Gain on deemed disposal of materials business	859,042	859,042
	<u>891,079</u>	<u>993,891</u>

Profit for the year from the discontinued operation includes the followings:

	<b>Three months ended 31 Dec</b>	<b>Year ended 31 Dec</b>
	2020	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
(Gain) loss on disposal of property, plant and equipment	(118)	722
Auditor’s remuneration	237	955
	<u>119</u>	<u>1,677</u>

## 11. DIVIDEND

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
<u>Dividend recognized as distribution during the year</u>		
Interim dividend for 2021 paid of HK\$1.30 (2020: HK\$0.70) per share on 410,796,133 (2020: 408,895,533) shares	534,035	286,227
Final dividend for 2020 paid of HK\$2.00 (2020: final dividend for 2019 paid of HK\$0.70) per share on 410,796,133 (2020: 408,895,533) shares	821,592	286,227
	<u>1,355,627</u>	<u>572,454</u>

Subsequent to the end of the reporting period, a final dividend of HK\$2.60 (2020: final dividend of HK\$2.00) per share in respect of the year ended 31 December 2021 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
<u>Dividend proposed subsequent to the end of the reporting period</u>		
Proposed final dividend for 2021 of HK\$2.60 (2020: HK\$2.00) per share on 412,705,333 (2020: 410,796,133) shares	1,073,034	821,592

## 12. EARNINGS PER SHARE

### From continuing operations

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

	Three months ended 31 Dec		Year ended 31 Dec	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (audited)	2020 HK\$'000 (audited)
Profit for the period attributable to owners of the Company (from continuing and discontinued operations)	913,006	1,000,304	3,168,976	1,621,516
Less: Profit for the period from discontinued operation	-	(891,079)	-	(993,891)
Earnings for the purpose of calculating basic and diluted earnings per share from continuing operations	<b>913,006</b>	109,225	<b>3,168,976</b>	627,625

  

	Three months ended 31 Dec		Year ended 31 Dec	
	2021 Number of shares (in thousands) (unaudited)	2020 Number of shares (in thousands) (unaudited)	2021 Number of shares (in thousands) (audited)	2020 Number of shares (in thousands) (audited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	410,899	408,976	410,678	408,784
Effect of dilutive potential shares:				
- Employee Share Incentive Scheme	1,847	1,837	1,656	1,634
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<b>412,746</b>	410,813	<b>412,334</b>	410,418

### From discontinued operation

For the three months ended 31 December 2020, basic earnings per share for the discontinued operation was HK\$2.18 per share and diluted earnings per share for the discontinued operation was HK\$2.17 per share, based on the profit for the three months ended 31 December 2020 from the discontinued operation of approximately HK\$891,079,000 and the denominators detailed above for both basic and diluted earnings per share.

For the year ended 31 December 2020, basic earnings per share for the discontinued operation was HK \$2.43 per share and diluted earnings per share for the discontinued operation was HK\$2.42 per share, based on the profit for the year ended 31 December 2020 from the discontinued operation of approximately HK\$993,891,000 and the denominators detailed above for both basic and diluted earnings per share.

### 13. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables (Note)	5,375,584	3,807,458
Value-added tax recoverable	324,017	295,100
Other receivables, deposits and prepayments	176,261	202,873
	<b>5,875,862</b>	<b>4,305,431</b>

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	
	2021	2020
	HK\$'000	HK\$'000
Not yet due (Note)	4,466,823	2,941,406
Overdue within 30 days	597,586	367,471
Overdue 31 to 60 days	174,483	227,410
Overdue 61 to 90 days	60,948	157,021
Overdue over 90 days	75,744	114,150
	<b>5,375,584</b>	<b>3,807,458</b>

Note: The amount included notes receivables amounting to HK\$1,344,979,000 (2020: HK\$470,572,000) 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 2020, trade receivables from contracts with customers amounted to HK\$4,324,297,000.

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 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$908,761,000 (2020: HK\$866,052,000) are past due as at the reporting date. Out of the past due balances, HK\$75,744,000 (2020: HK\$114,150,000) 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.

## 14. TRADE LIABILITIES AND OTHER PAYABLES

	<b>At 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>2,019,439</b>	1,454,939
Deferred income (Note a)	<b>155,719</b>	118,925
Accrued salaries and wages	<b>296,063</b>	278,667
Other accrued charges	<b>813,977</b>	562,727
Payables arising from acquisition of property, plant and equipment	<b>80,931</b>	62,759
Gross obligation to acquire non-controlling interest	-	88,815
Other payables (Note b)	<b>242,263</b>	218,026
	<b>3,608,392</b>	2,784,858

### 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 2020, deferred income amounted to HK\$104,991,000. The deferred income as at 1 January 2020 and 1 January 2021 were fully recognized as revenue during the years ended 31 December 2020 and 31 December 2021, respectively.

- (b) The amounts mainly represent the value-added tax payable and other payables.

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

	<b>At 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Not yet due	<b>1,701,316</b>	1,155,582
Overdue within 30 days	<b>203,178</b>	210,998
Overdue 31 to 60 days	<b>83,762</b>	49,278
Overdue 61 to 90 days	<b>10,214</b>	13,994
Overdue over 90 days	<b>20,969</b>	25,087
	<b>2,019,439</b>	1,454,939

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.

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

During the year ended 31 December 2021, 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 275,100 shares in the Company at a total consideration of approximately HK\$26.7 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 2021.

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 2021 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 2021 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. Paulus Antonius Henricus Verhagen as Non-Executive Directors, and Mr. Robin Gerard Ng Cher Tat and Mr. Guenter Walter Lauber as Executive Directors.

On behalf of the Board  
**Robin Gerard Ng Cher Tat**  
Director

Hong Kong, 22 February 2022