ASM Pacific Technology Limited

(STOCK CODE 股份代號: 0522)

ENABLING
THE DIGITAL WORLD
連通數碼動力‧實現優化生活

ANNUAL REPORT 2015 年報

ASMPT
Performance in Year 2015

- Attained the global #1 position in the SMT equipment market
- Retained the global #1 position in the semiconductor assembly and packaging equipment market and further widened the revenue gap with the closest rival to a new record
- Group revenue of US$1.67 billion, representing a decrease of 8.8% against the preceding year
- Net profit of HK$952.9 million and earnings per share of HK$2.38, representing a decrease of 40.4% against the preceding year
- Back-end equipment revenue of US$757.3 million, representing a decrease of 13.7% against 2014
- Materials revenue of US$221.2 million, representing a decrease of 9.8% against 2014
- SMT solutions revenue of US$695.5 million, representing a decrease of 2.4% against 2014
- New order bookings of US$1.72 billion, representing a decrease of 10.0% against 2014
- Cash and bank deposits of HK$2.28 billion at the end of December 2015

ASMPT
二零一五年之業績表現

- 晉升至全球SMT設備市場第一位
- 穩佔全球半導體裝嵌及封裝設備市場第一位及進一步擴大與第二位競爭對手的收入差距至前所未見的距離
- 集團收入為16.7億美元，較去年減少8.8%
- 盈利為港幣9.529億元，每股盈利為港幣2.38元，較去年減少40.4%
- 後工序設備業務收入為7.573億美元，較二零一四年減少13.7%
- 物料業務收入為2.212億美元，較二零一四年減少9.8%
- SMT解決方案業務收入為6.955億美元，較二零一四年減少2.4%
- 新增訂單總額為17.2億美元，較二零一四年減少10.0%
- 於二零一五年十二月底的現金及銀行存款結存為港幣22.8億元

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Arthur H. del Prado, Chairman
Lee Wai Kwong
Chow Chuen, James
Robin Gerard Ng Cher Tat

Non-executive Directors:

Charles Dean del Prado
Petrus Antonius Maria van Bommel

Independent Non-executive Directors:

Orasa Livasiri
Lok Kam Chong, John
Wong Hon Yee
Tang Koon Hung, Eric

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Citibank, N.A.
The Bank of Tokyo-Mitsubishi UFJ, Ltd
Commerzbank AG

AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
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SECRETARY

So Sau Ming

REGISTERED OFFICE

Caledonian House
George Town
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PRINCIPAL PLACE OF BUSINESS

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SHARE REGISTRARS AND BRANCH REGISTER OFFICE

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COMPANY WEBSITE AND CONTACT

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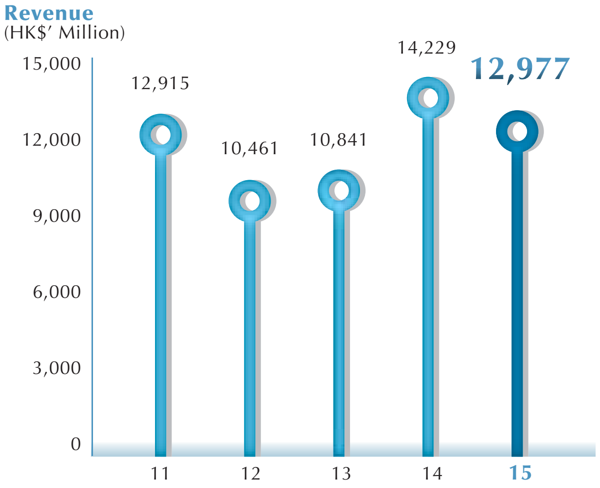
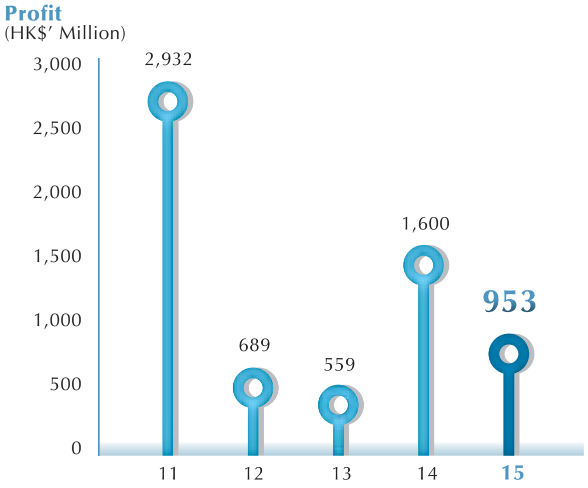
FINANCIAL HIGHLIGHTS

	Year ended 31 December 2015 HK$'000	2014 HK$'000
Revenue	**12,977,289**	14,229,177
Cost of sales	**(8,261,905)**	(9,179,551)
Gross profit	**4,715,384**	5,049,626
Other income	**42,623**	86,078
Selling and distribution expenses	**(1,275,844)**	(1,161,244)
General and administrative expenses	**(757,602)**	(620,715)
Research and development expenses	**(1,185,118)**	(1,148,382)
Other gains and losses	**30,394**	112,012
Other expenses	**(49,758)**	(168,400)
Finance costs	**(156,703)**	(120,512)
Profit before taxation	**1,363,376**	2,028,463
Income tax expense	**(410,462)**	(428,509)
Profit for the year	**952,914**	1,599,954
Profit for the year attributable to:		
Owners of the Company	**956,191**	1,599,954
Non-controlling interests	**(3,277)**	–
	952,914	1,599,954
Earnings per share		
– Basic	**HK$2.38**	HK$3.99
– Diluted	**HK$2.37**	HK$3.98





CHAIRMAN'S STATEMENT

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the "Group" or "ASMPT") reported a revenue of **HK$12.98 billion (US$1.67 billion)** in the fiscal year ended 31 December 2015, which was 8.8% lower than the revenue of HK$14.23 billion (US$1.83 billion) in the previous year. The Group's consolidated profit after taxation for the year is **HK$952.9 million** which is a decrease of 40.4% from the previous year's net profit of HK$1.60 billion. Basic earnings per share (EPS) for the year amounted to **HK$2.38** (2014: HK$3.99).

DIVIDEND

We continue to believe in returning excess cash to our shareholders as dividends. After considering the Group's short term needs and our cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of **HK$0.40** (2014: final dividend of HK$1.30) per share. Together with the interim dividend of HK$1.00 (2014: HK$0.80) per share paid in August 2015, the total dividend payment for year 2015 will be **HK$1.40** (2014: HK$2.10) per share.

REVIEW

The Group had a mixed year in 2015. Billings for first half of the year started strongly compared to 2014. However, the momentum started to fade during the second quarter, followed by a sharp contraction in the market in the third quarter of last year.

Unfavourable macroeconomic conditions such as a slowdown in China's growth, a weak stock market and a much slower pace of growth in smartphones seem to have dented business confidence and discouraged investment.

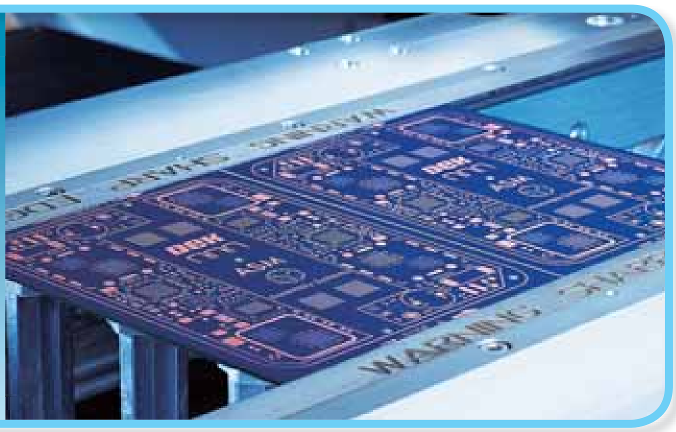
However, we did notice that confidence seemed to have been restored to a certain extent towards the end of the year. As a result, the 2015 billings for the Group only contracted by 8.8%, which was better than the low double-digit percentage contraction that we had expected at the commencement of the fourth quarter of last year. Moreover, we experienced year-on-year bookings growth for all three business segments in the fourth quarter of last year, with both the Materials Business Segment and the SMT Solutions Segment registering quarterly bookings growth.

Last year, Group billings amounted to US$1.67 billion. All three segments of our business experienced some revenue contraction as compared to the year earlier. Nevertheless, despite challenging market conditions, the Group has continued to make progress in all of its business segments.

The Group's SMT Solutions Segment has become the largest supplier of SMT equipment by revenue with a market share nearing the mid-20% level. The gross margin of the SMT Solutions Business has improved significantly to 39.6%.

Our Back-end Equipment Segment continued to retain the number one position in the global market, a status which we have maintained almost uninterrupted since 2002. The revenue gap with our closest rival has been further widened to a new record high. Despite tough market conditions, some of our Back-end Equipment products achieved annual revenue growths over the previous year. We believe that we have overtaken our peers in the past year to become the top flip-chip bonder supplier in the world on the basis of the number of bonders shipped. Last year, we also successfully reduced the volatility of our gross margin in this business segment.

Successfully rolled out the NUCLEUS bonder and the SUNBIRD test, inspect and pack system to address customers' need for wafer level fan-out applications



Become the largest supplier of SMT equipment by revenue with a market share nearing the mid-20% level

World #1 Supplier in Both Back-end Equipment and SMT Equipment Markets

Attained World #1 position in the global SMT equipment market while maintaining our global leadership in the Back-end equipment market

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Our Materials Business is the fourth largest global lead frames supplier. It continued to improve its profitability. Despite lower revenue, the gross margin of our Materials Business Segment improved over the previous year. The Group also extended its product offerings in the Materials Business Segment to include molded interconnect substrates ("MIS").

Net profits for the Group amounted to HK$952.9 million in 2015, representing a reduction of 40.4% from the preceding year. Despite lower revenue, the gross margin of the Group improved by 0.8% (85bps) to 36.3%. Gross margins of our Materials Business and SMT Solutions Segments were also better than in the preceding year.

Group revenue for the second half of last year amounted to US$794.7 million, which was a decrease of 25.8% and 9.7% against the second half of 2014 and the preceding six months, respectively. Group revenue for the fourth quarter of last year amounted to US$377.9 million, contracting by 15.0% and 9.4% as compared to the same period of 2014 and the preceding quarter, respectively.

Annual amortisation of HK$47.2 million relating to the fair value increment of assets acquired by the SMT Printing Division was charged in 2015. Such amortisation will decrease gradually in future years.

Geographically, the top five markets for ASMPT in 2015 were China (including Hong Kong) (48.2%), Europe (17.3%), the Americas (7.2%), Malaysia (6.8%) and Japan (4.3%). The Taiwan market experienced the biggest contraction in 2015, followed by Malaysia and the Americas. There were moderate declines in the Chinese and South-East Asian (other than Malaysian) markets. On the other hand, our business in Japan experienced very strong growth because of the demand for LED and CIS equipment. We also achieved moderate revenue growth in the European market due to sustained demand for SMT equipment.

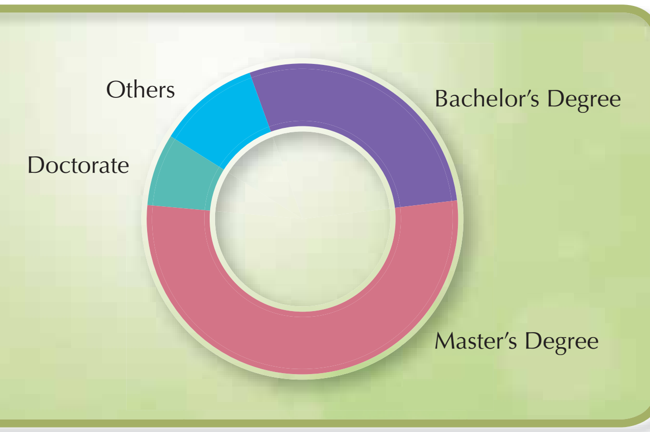
Our business is reaping the benefits of a diversified customer base. In 2015, no customer accounted for more than 10% of the Group's revenue. The top 5 customers collectively accounted for 17.9% of the Group's sales revenue. 80% of the Group's revenue came from 182 customers.

Out of the top 20 customers, 6 were from the SMT Solutions Segment and 2 were key customers for both the Back-end Equipment and SMT Solutions Segments. The top 20 customers of the Group were customers from different market segments, such as the world's leading integrated device manufacturers ("IDMs"), tier-1 outsourced assembly and test ("OSAT") companies, major OSATs in China, key light-emitting diode ("LED") players, top electronics manufacturing services ("EMS") providers and automotive component suppliers.

New order bookings for last year amounted to US$1.72 billion, representing a contraction of 10.0% as compared to 2014, which was a year when the Group set a new bookings record. New order bookings for all three of our business segments contracted from that of the previous year. The book-to-bill ratio was 1.03.

New order bookings for the second half of last year were US$761.4 million, representing declines of 13.0% and 20.6% as compared to the same period in 2014 and the first half of last year, respectively.

TCB tool recognised for outstanding innovation



High Quality International R&D Talent

Ahead of Curve

ASMPT is fully committed to delivering new cutting edge technology and system innovations, investing around 10% of our equipment revenue in R&D

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

New order bookings for the fourth quarter of last year was US$380.6 million, representing a growth of 11.1% as compared to the same period in 2014 but a decline of 0.1% from the preceding quarter. The backlog as of the end of last year was US$389.0 million.

The Group's proven strategies of focusing on multiple application markets, investing in advanced technologies and collaborating with leading customers have been advantageous to the development of the Group over the past few years.

Up until a few years ago, ASMPT had built its successes on organic growth. However, over the past five years, the Group has pursued strategic acquisitions which have made it stronger and more resilient. The acquisitions will enable ASMPT to take advantage of the trends of consolidation and technology transition to accelerate growth.

The Group continued to intensify its efforts to bring the size of its manufacturing operations to a more optimal level to address the volatility of business cycles. During the second half of last year, the Group launched a Voluntary Separation Incentive Programme in its China manufacturing operations, which led to a reduction of 502 employees in total. Together with natural attrition, we have successfully brought the headcount of our China manufacturing operations to a level similar to that at the end of 2009. After an operational review of the Group's manufacturing footprint for the SMT Solutions Segment, a manufacturing plant in Shenzhen, China which was used for manufacturing SMT Printing products was closed in December 2015. Its operations have been consolidated with the Group's existing operations at its facilities in Malaysia and Singapore. In total, around HK$49.8 million in severance-related costs had been factored into the Group's financial results for the second half of last year. The annual cost saving is anticipated to be around HK$68 million.

Back-end Equipment Business Segment

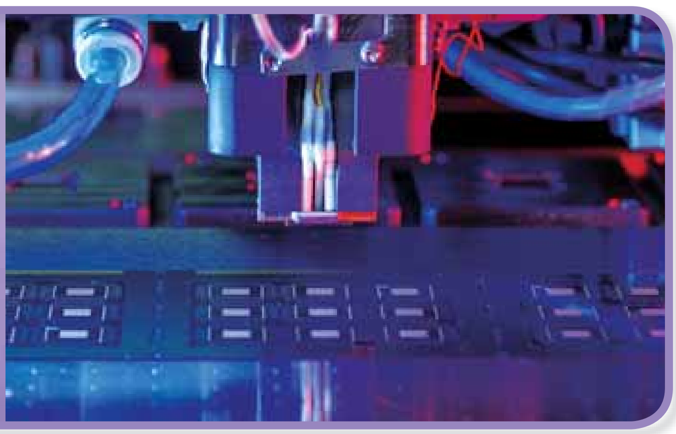
The revenue from our Back-end Equipment Segment declined by 13.7% last year to US$757.3 million. It contributed 45.2% to the Group's total revenue.

Our Back-end Equipment Segment retained the number one position in the global market, a position that we have first held in 2002. The revenue gap with our closest rival has further widened to a new record. In fact, over the past fourteen years, the Group only briefly relinquished the number one position in 2012.

While 2015 was overall a year of contraction for the industry, the Group still achieved year-on-year growths in some product areas.

Our flip-chip bonder is one of the products that achieved revenue growth last year. The Group made good progress with its flip-chip bonder business. Its AD8312FC flip-chip bonder for high-speed low-I/O (input/output) applications was a big success. We believe that we have achieved a dominant market share of well above 50% of the flip chip bonders supplied to this market last year. In fact, it is very likely that we have overtaken our peers and emerged as the top flip-chip bonder supplier by quantity in the world.

Our test handlers for small packages gained a high market share in 2015



Our dominance as the world's largest supplier in assembly and packaging equipment has also increased, with the gap in revenue between us and our nearest competitor widening further to a new record

Investment in Growth Areas Continued to Serve ASMPT Well

Gaining further market traction in growth areas – flip chip bonders, test handlers, CIS equipment, LED equipment, and laser grooving/dicing equipment

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Back-end Equipment Business Segment (Continued)

Besides high-speed low-I/O applications, the Group continues to enhance its product offerings to the flip-chip market. We are extending our thermo-compression bonding ("TCB") solutions to the through silicon via ("TSV") memory stack market. With our proven TCB technology, we have successfully produced bonded samples that have drawn significant interest from our customers. Other than our proven technology, customers are also impressed that, among all the TCB bonder suppliers, the Group has the highest number of installations of TCB bonders worldwide.

Recognising the growing interest and momentum in wafer level fan-out ("WLFO") packaging, the Group has lined up a comprehensive product portfolio to address this new application, including laser grooving ("ALSI"), printing ("DEK"), placement (the "CA" from the SMT Placement Division and the "NUCLEUS" from the Back-end Equipment Segment), wafer-level molding (the "ORCAS"), package singulation ("ALSI") and test, inspection and pack ("SUNBIRD") machines. No other equipment supplier in the world has a similarly extensive advanced packaging product portfolio.

CMOS Image Sensor ("CIS") equipment is another product that achieved revenue growth last year. Besides traditional assembly equipment, the Group's active alignment ("AA") machine gained strong recognition from many interested customers. We expect that CIS equipment will continue to be one of our growth drivers going forward. While the growth rate for smartphones may slow down, new-generation phones will come with more advanced cameras that require new equipment to produce. We also expect more cameras to be deployed in automobiles. Dual cameras and 3D-sensing devices will further fuel demand for CIS equipment.

Test handlers also experienced revenue growth last year. In particular, our test handlers for small packages gained a high market share. With the rising demand for electronic devices with thinner and smaller form factors and the proliferation of system-in-package ("SiP") devices, we expect that production volumes for small packages will continue to grow faster than the overall semiconductor market. Our strategy of deploying enabling technologies that are commonly available to front-of-line ("FOL") equipment (such as bonders) into test handlers is yielding good returns for us.

We also achieved revenue growth last year for the laser grooving/dicing equipment business, which we established in early 2014, although the base is still small at the moment. Through various field tests and evaluations, customers have clearly recognised the superior technologies that we possess and the value that we can offer. Besides presenting much faster throughput, our laser dicing systems offer better quality and higher capability. They are particularly beneficial for thin wafers and package singulation for both fan-in and fan-out wafer level packages. The synergistic benefits of superior technology from the team in the Netherlands and our strong market network and infrastructure support in Asia have proven to be strong success factors. We are confident that we will continue to experience further annual revenue growth this year in this business.

Our AA machine gained strong recognition

Our laser dicing system offers better quality and higher capability as well as faster throughput

Sharpening our Competitive Edge

With its comprehensive suite of innovative solutions for advanced packaging applications, ASMPT is well-positioned to capture growth in this market

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Back-end Equipment Business Segment (Continued)

The LED market was more active last year as compared to the IC and discrete market, particularly during the second half of the year. Besides LED general lighting, big LED display panels is another growth driver. With consolidation in the market, capacity expansion is increasingly the domain of large LED players in the market. This is beneficial to the Group as it is more established with large customers. Last year, we gained further market share for the supply of LED equipment.

In the LED business, the Group continues to form partnerships with customers to develop new processes and packages. The Group is pleased to note that one of its key customers successfully launched its CSLED (chip-scale LED) devices to the market last year. With its comprehensive product range, breadth of process knowledge and strong customer relationship, the Group is currently enjoying a healthy market share in the CSLED business although the market size is presently still very much smaller than that for traditional LED packages.

IDM customers for the IC/discrete market contributed to a significant proportion of the reduction in our Back-end Equipment revenue in 2015, as compared to 2014.

During the second half of last year, Back-end Equipment revenue amounted to US$341.0 million, contracting 28.3% and 18.1% against the second half of 2014 and the preceding six months, respectively. Back-end Equipment revenue for the fourth quarter of last year fell by 21.7% year-on-year and 18.4% quarter-on-quarter to US$153.2 million, respectively.

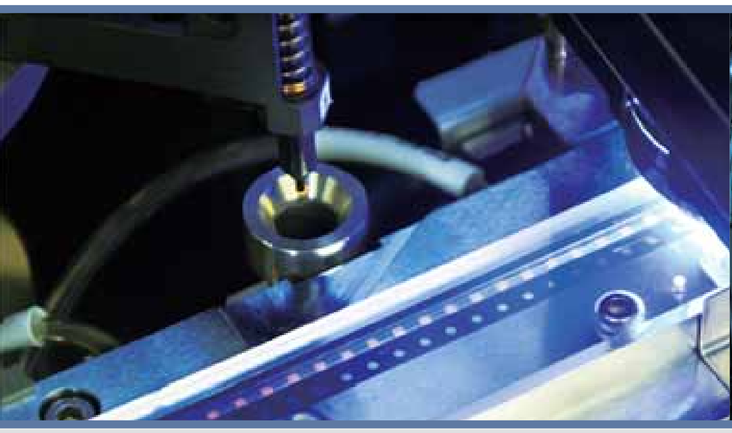
New order bookings for Back-end Equipment last year decreased by 14.7% as compared to 2014. New order bookings for the second half of last year contracted by 15.8% and 26.9% as compared to the same period in 2014 and the first half of last year, respectively.

New order bookings for the fourth quarter of last year grew 17.3% as compared to the same period in 2014, although it contracted 5.5% from the preceding quarter. The rebound in bookings during the fourth quarter exceeded the Group's initial expectations. The rebound partially resulted from stronger demand for LED equipment, but it also reflected some restoration of investment confidence towards the end of last year.

Despite lower revenue as compared to the year before, the gross margin of this segment was fairly stable at 39.4% (2014: 41.9%). In fact, we were able to reduce the quarter-to-quarter volatility in the gross margin of this business segment. Our strategy of building a more flexible workforce and to increase the ratio of external manufacturing has contributed positively to the improvement.

With our unceasing efforts at diversifying our product portfolio over the past few years, we have successfully reduced our dependence on demand for traditional die and wire bonders.

Last year, the business generated from traditional die and wire bonders for the assembly of semiconductor and LED devices contributed to around 50% of the Back-end Equipment Segment revenue. The rest was mainly contributed by packaging-related equipment, test handlers, flip-chip bonders, TCB bonders, clip bonders for power management applications, CIS assembly equipment, wafer level packaging equipment and laser separation systems.



LED is a growth driver

Driving towards automation and capability upgrade than in capacity expansion to increase efficiency and productivity

Continuous Change to Meet Challenges

Adoption of a flexible production workforce, increased external manufacturing and SMT In-sourcing strategy have helped to improve profitability for the Group

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Back-end Equipment Business Segment (Continued)

We believe that we have put in place the right product and technology portfolio and that ASMPT is in a unique position to take advantage of the continuous technology transition to advanced packages. The strengths of ASMPT will make it a natural partner for its customers in their pursuit of successful transitions to advanced packaging technology.

Materials Business Segment

Last year, revenue from our Materials Business Segment was US$221.2 million, which was a decrease of 9.8% from the year before. Both our stamped and etched lead frames experienced revenue contractions from the previous year, although it is worth noting that this business segment had attained multiple records during the previous year. The Materials Business Segment contributed 13.2% to the Group's total revenue.

During the second half of last year, revenue from our Materials Business Segment amounted to US$106.5 million, representing declines of 13.4% and 7.2% against the second half of 2014 and the preceding six months, respectively. Revenue of our Materials Business Segment for the fourth quarter of last year fell by 9.5% year-on-year and 2.6% from the preceding quarter, respectively.

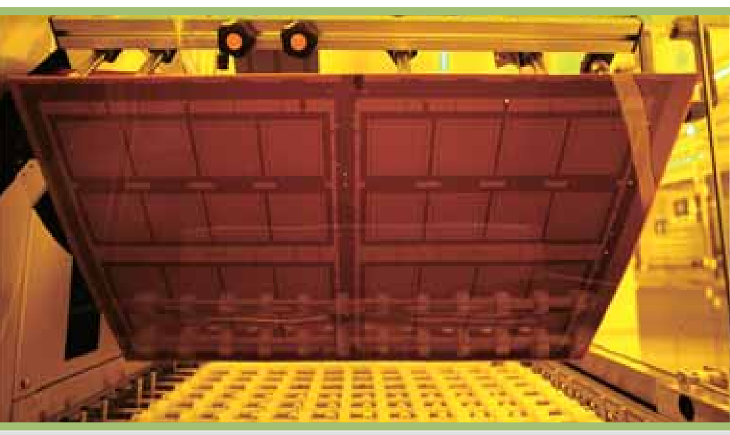
New order bookings for the Materials Business Segment contracted by 7.9% last year as compared to 2014. The level of new order bookings for the second half of last year was practically flat. New order bookings for the second six months contracted by 0.9% as compared to the same period in 2014 but increased 1.7% from the first half of last year.

We observed that new order bookings for the Materials Business Segment rebounded during the fourth quarter of 2015. It achieved slight improvements of 3.3% and 1.5% as compared to the same period in 2014 and the preceding quarter, respectively.

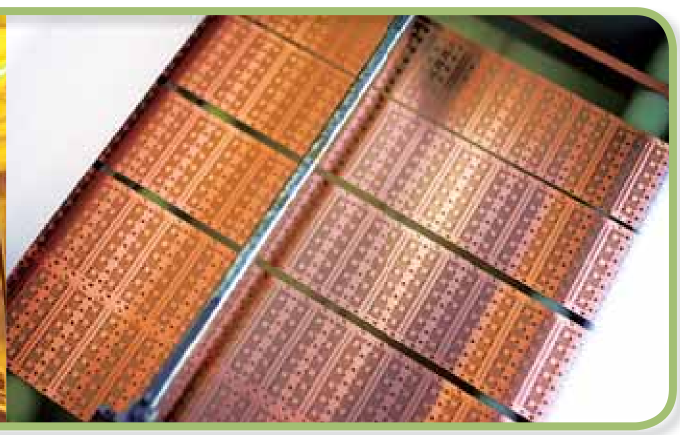
With our continuing cost reduction efforts, the profitability of our Materials Business Segment improved further last year. Gross margin of the segment increased by 1.0% (102 bps) as compared to the year before, despite lower revenue. The gross margin in the fourth quarter of last year also demonstrated a year-on-year improvement of 1.6% (157 bps).

While we continue to outperform the broader lead frame market, we do recognise the potential impact on our lead frame business as and when the market transitions to advanced packaging technology.

Therefore, we made a strategic decision last year to enter into the advanced packaging materials business by setting up a joint venture company with a tier-1 OSAT to develop and produce MIS products. We believe that the move will enhance the Group's position in advanced packaging technology in the long term. Together with the Group's product portfolio for equipment, the Group is capable of offering total solutions to customers in a range of applications utilising advanced packaging technology.



Invested in MIS to enhance the Group's position in advanced packaging technology



Fourth largest lead frame supplier in the world

New Growth Driver

Our investment in MIS will provide us with a significant growth opportunity and a fast entry to Advanced Packaging assembly segment

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

Materials Business Segment (Continued)

The Group's entry into this business has been well-received by customers. After progressing beyond the start-up phase, we expect the MIS business to contribute positively to further improvements in this business segment's gross margin, profitability and revenue growth. However, due to the start-up costs incurred, we anticipate that there would be some negative impact to the profitability of the Materials Business Segment for the next few quarters.

SMT Solutions Business Segment

Last year, revenue for our SMT Solutions Segment fell slightly by 2.4% to US$695.5 million, but it still managed to become the top supplier for SMT equipment in the world. We believe that our market share is now getting close to the mid-20% range.

The SMT Solutions Segment contributed to 41.6% of the Group's revenue and 51.4% of the Group's profits before tax ("PBT"). During the second half of last year, the segment contributed 43.7% of the Group's revenue and 71.5% of the Group's PBT. The SMT Solutions Segment achieved a gross margin of 39.6% and segment result of 13.9% last year.

Whilst the depreciation of the Japanese yen continues to exert tremendous pressure on average selling prices ("ASP"), we were able to at least partially offset the negative effect on our profitability with our superior technology, outstanding machine performance, savings from in-sourcing and the depreciation of the Euro against the U.S. dollar.

During the second half of last year, revenue from our SMT Solutions Segment amounted to US$347.2 million, representing contractions of 26.5% and 0.3% as compared to the same period of 2014 and the preceding six months, respectively. During the fourth quarter of last year, revenue of our SMT Solutions Segment amounted to US$172.1 million, representing declines of 9.9% and 1.8% as compared to the same period of 2014, and the preceding quarter, respectively.

Gross margin for this segment improved to 43.6% in the fourth quarter of last year, which was a significant increase based upon both quarter-on-quarter and year-on-year comparisons. The improvement was mainly due to a higher revenue contribution from the European market as well as the release of product warranty provisions at the closing of the accounting period because of the segment's continuous improvements in product quality and reliability.

Bookings for our SMT Solutions Segment decreased by 4.7% for the whole of last year, whilst bookings for the second half of last year decreased by 13.8% relative to the previous year.

New orders received during the fourth quarter grew by 8.3% and 5.4% year-on-year and quarter-on-quarter respectively. The improvement in bookings occurred earlier than we have anticipated.

Our SMT Solutions Segment has performed very well since its acquisition by the Group five years ago. Not only did we advance to be the top global supplier, we also managed to increase our market share from about 11-12% in 2010 to the mid-20% range last year. Gross margin also improved from around the 30% level to around the 40% level last year.

The DEK NeoHorizon is highly modular in design, enabling customers to configure two printers to form a highly flexible dual-track solution when needed

SIPLACE TX placement modules set new industry records in speed, accuracy and floorspace performance

Riding on Industry 4.0

Demand for SMT equipment is expected to accelerate with the adoption of Industry 4.0, and we are well-positioned to capitalise on it with our SMART #1 SMT Factory

CHAIRMAN'S STATEMENT *(CONTINUED)*

REVIEW (Continued)

SMT Solutions Business Segment (Continued)

Synergies that we have envisaged have been successfully realised. In fact, the integration has progressed more smoothly than we have anticipated. The technical competence of our Enabling Technology Group in Asia is proving to be complementary to our SMT Solutions Segment in various beneficial aspects. It not only allows the Group to achieve significant cost reduction through in-sourcing, it also helps to further boost the performance of our SMT Solutions products.

Over the past few years, the pace of innovation of our SMT Solutions Segment has continued to accelerate. Our responsiveness to customers and market needs has improved significantly. This contributes directly to our market share gain as well as improves our profitability. Moreover, it expands our serviceable available market ("SAM"). The favourable exchange rate has also helped the SMT Solutions Segment to achieve its profitability goals.

Moving forward, this business segment aims to further improve its manufacturing footprint by getting closer to the market, lowering its logistics costs and carbon emission, and achieving a more balanced exposure to exchange-rate risks. This year, we will execute projects to increase the manufacturing of SMT Solutions products from our factory in Malaysia.

Other than serving the traditional electronic printed circuit board ("PCB") assembly market, our SMT Solutions Segment is aggressively pushing into the semiconductor market. The Group has made notable breakthroughs into applications like SiP devices, embedded PCB and wafer-level fan-out applications in the past two years.

PROSPECTS

We believe that the current industry cycle will extend into 2016. In fact, most analysts expect 2016 to be a year of mild contraction for the semiconductor packaging and assembly equipment industry.

From the Group's perspective, we are encouraged by the rebound in bookings in the fourth quarter of last year relative to the previous year for all three of our business segments. This probably confirms a general consensus in the industry that the current industry cycle should be a shallow and short one.

However, we are mindful that the global semiconductor and electronics industries will unavoidably be affected by macroeconomic conditions, which would impact both global demand and investment confidence. We believe that the industry has to adjust to the reality of a much slower rate of growth for smartphone shipments. We also believe that as more electronic components make their way into automobiles, the growth rate should start to moderately improve.

Given such an industrial environment, our diversified customer base and application markets should serve to distinguish ASMPT from its peers and to bolster its competitiveness. Furthermore, the broad portfolio of new products that we have developed to address new growth areas such as TCB bonders, high-speed low-IO flip chip bonders, AA machines for CIS applications, test handlers for small devices, a comprehensive spread of product solutions for WLFO, laser grooving and dicing systems, MIS and CSLED in the semiconductor packaging arena as well as line solutions for the SMT equipment market will further enhance ASMPT's ability to outperform the market.

Introduced a closed-loop line solution comprising printing, solder paste inspection and placement solutions in the SMT production

Passion Inspires Innovation

Our people work passionately to find innovative ways to drive technology forward and, in the process, contribute to the high quality of life enjoyed by people around the world

CHAIRMAN'S STATEMENT *(CONTINUED)*

PROSPECTS (Continued)

Overall, we believe that we will again demonstrate our resilience in 2016, which is expected to be a year of mild contraction for the market. Based on the current market momentum, we expect Back-end Equipment billings in the first quarter of this year to achieve double digit percentage growth over the preceding quarter while the overall Group billings will match or perform slightly better than the billings achieved in the preceding quarter. Bookings will likely show a quarterly upswing.

APPRECIATION

The Group is operating in a very competitive business environment amid challenging global macroeconomic conditions. The strong commitment and support from our management, employees and partners have been essential in driving the Group forward. On behalf of the Board, I would like to express my heartfelt appreciation to all our employees, customers, partners, suppliers and all other stakeholders for their continuous belief in, and support to, the Group.

When we started ASMPT 40 years ago, we had a very ambitious long-term plan that is to build the Group into a technology leader and low-cost manufacturer. We carried out our strategy systemically, starting from scratch, from a zero base, and we knew that by every step of the way, we would have to create what we needed, even the infrastructure and resources. Not everyone, regardless of how much experience he or she has, is up to that kind of challenge. But we have a vision. ASMPT has achieved remarkable growth against the backdrop of several high-tech challenges in Asia. Today, ASMPT is a leader in the semiconductor assembly and packaging equipment industry as well as the SMT equipment industry with operations in China, Hong Kong, Singapore, Malaysia, Germany, the United Kingdom and the Netherlands.

The challenge for ASMPT is not only to develop new technologies that allow it to continue to be able to follow Moore's law, which has been observed since 1965, but also to turn these inventions into mainstream technologies that could be used to produce high volumes of products. ASMPT has successfully achieved this. This achievement would not be been possible without the clear vision and attention of the leadership and the diligence of our staff. Our people are all enthusiastic and work with great dedication. I want to thank them for putting forward their best at work every day, undeterred by the relentless pace of competition and industry shifts. I also want to thank my fellow Board members for their contributions and support.

The time has come for me to resign as chairman of ASMPT. I have enjoyed my years with the Group immensely. I have had great satisfaction in taking on the challenges given to me and sharing the joys of achievement with my colleagues. I have learnt many things, made many friends and have many memories that will stay with me forever. I am thankful for the opportunities given to ASMPT. The growing trend towards miniaturisation and high performance chips will provide ASMPT with future growth opportunities.

I wish ASMPT all the best in its endeavours and look forward to its next phase of growth.

Arthur H. del Prado
Chairman
23 February 2016

The Board of Directors

Gearing Up for Greater Growth

Our diversified customer base and applications markets provide us a good vantage point to further grow our business

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's financial performance was mixed in 2015. The Group started the first half of the year with strong performance relative to 2014. However, market contracted sharply in the third quarter of 2015, affecting our performance. Unfavourable macro-economic conditions like growth slowdown in China, volatile stock markets and slower smartphone growth had undermined business confidence globally and reined in investment.

In 2015, the Group's total billings amounted to HK$12.98 billion (US$1.67 billion), which was lower than the HK$14.23 billion (US$1.83 billion) reported a year ago. New order bookings was HK$13.33 billion (US$1.72 billion), a contraction of 10.0% from 2014. Our backlog as of 31 December 2015 stood at HK$3.01 billion (US$389.0 million). Net profits fell by 40.4% from 2014 to HK$952.9 million (US$122.9 million).

Amid challenging market conditions, the Group's three business segments continued to gain market traction. During the review year, our SMT Solutions Business attained the world #1 position in the SMT equipment market based on revenue. This has occurred a year earlier than we had targeted. Our SMT Solutions Business also improved its gross margin significantly to 39.6%.

Our Back-end Equipment Business continued to maintain its number one position in the global assembly and packaging equipment market, a position which we have attained since 2002 (with the exception of 2012). In addition, the gap in revenue with its nearest rival had also widened further. Our Back-end Business successfully reduced the gross margin fluctuation.

In 2015, our Materials Business continued to improve its profitability. Despite lower revenue, its gross margin improved over 2014. The Group extended its offerings to include molded interconnect substrates ("MIS").

Our focus on building a diversified customer base has enabled the Group to avoid becoming dependent on any one customer or market for a significant portion of our sales. In 2015, no single customer accounted for more than 10% of the Group's revenue. Collectively, our top five customers accounted for 17.9% of our total revenue. The Group's growing pool of customers for a wide variety of products has created a highly stabilised revenue base that allows ASMPT to continue its growth trajectory. This is further complemented by our extensive product diversity, which has enabled us to offer a broad range of products and packaging solutions for the different groups of customers we serve. To achieve such diversity, ASMPT has consistently excelled in delivering a good sales and support network with accompanying infrastructure and high standards of service.

Apart from a diversified customer base and broad product portfolio, we also diversified our business by geographies. In 2015, the top five markets for ASMPT were China (including Hong Kong), Europe, the Americas, Malaysia and Japan. Despite experiencing a moderate decline in revenue, China remained our biggest market.

Recognising the strong growth potential of our SMT Solutions Business, we make steady and long-term investments in R&D to develop SMT products, software and technologies since we acquired the business. To support our SMT Solutions Business, we expanded our R&D resources in Munich, Germany as well as established R&D capabilities in Singapore and Chengdu, China. We are confident that these investments will deliver substantial returns in future.

The semiconductor industry is set to undergo a technology transition brought about by new wafer node technology, the popularity of mobile devices and demand for lower cost. Customers are constantly looking for innovations in packaging technologies and are actively sourcing for technology partners to help pioneer new technological breakthroughs. Unlike many of our peers who focus on specific product segments, ASMPT has the most extensive suite of products and solutions, comprehensive knowledge of and experience with assembly and SMT processes, advanced enabling technologies, a dynamic R&D team and strong financial resources to aid its customers in driving technology forward.

As technologies develop at a much faster pace, capabilities and opportunities to co-develop new technologies with anchor customers is the key for future success. ASMPT is advancing steadfastly in the right direction. Given our solid research and development capabilities, ASMPT will continue to be the natural technology partner for many of our customers especially in advanced packaging and other new technologies.

MARKET AND PRODUCT DEVELOPMENT

Back-end Equipment Business Segment

The Back-end Equipment Business has maintained its position as the world leader in the supply of assembly and packaging equipment for the past 14 years with exception of 2012. Our dominance as the world's largest supplier in assembly and packaging equipment has also increased, with the gap in revenue between us and our nearest competitor widening further last year to a new record.

In 2015, revenue from the Back-end Equipment Business was HK$5.87 billion (US$757.3 million), a contraction of 13.7% as compared to 2014. It represented 45.2% of the Group's total revenue. Its segment result contracted by 48.9% while gross margin stayed relatively stable at 39.4%. New order bookings for the Back-end Equipment Business were 14.7% lower than 2014.

While the semiconductor industry contracted in 2015, the Group achieved year-on-year growth in some products. Demand for CMOS Imaging Sensor ("CIS") equipment remained strong during the year. High-speed low I/O flip chip bonders, test handlers and laser grooving and dicing equipment also performed equally well.

Our focus for the Back-end Equipment Business is to drive gross margin improvements and ride on the business opportunities brought about by the technology transition in the semiconductor industry.

To drive improvements in gross margin, we initiated measures that would help achieve better utilisation of production capacity, lower product cost and bring down fixed production costs.

One of our countermeasures to volatile market conditions is the adjustment to our internal vertical integration business model. The level of external manufacturing has increased and production processes have been redesigned. We have also built a flexible, scalable manufacturing workforce that includes the deployment of contract and outsourced workers, enabling us to efficiently scale up or scale back our production operations. Emphasis has been given to retaining members of our core workforce who possess critical skillsets and training programmes have been designed to train new recruits for non-core activities in relatively short timeframes. When market demand is strong, we leverage on temporary and contract workers for non-core activities as a supplement to our regular workforce. This strategy of building a more flexible workforce and increasing the ratio of external manufacturing contributed positively to the reduction of volatility of the gross margin of our Back-end Equipment Business in 2015.

To further bring down our fixed cost, the Group launched a Voluntary Separation Incentive Programme for our China manufacturing workforce during the second half of last year. This initiative coupled with natural attrition successfully brought the headcount of our China manufacturing workforce to a level similar to that at the end of 2009.

Wages in China continue to increase at a fast pace, affecting its attractiveness as a manufacturing base. Comparatively, Malaysia has become a much more attractive country for manufacturing. To address such trend, we have adopted a clear strategy of exploring territories outside China for both our internal and external manufacturing activities. We anticipate that once we have successfully transitioned to a more cost-efficient production structure, we will be able to lower the breakeven point for our Back-end Equipment Business.

As technology transition in our industry is taking place at a fast pace, we have sought to build a varied product portfolio. Our equipment portfolio encompasses a wide range of products that address the diverse needs of our customers in different applications such as IC, discrete, power, flash memory, CIS, MEMs and LED. We also focus on developing solutions to serve different application markets.

Gaining market share is one of our top priorities as well. Today, ASMPT is ranked either the first or second top supplier for all the major products that we offer to the market. Our FT2018 test handler has been very successful in capturing market share quickly and within a few years we advanced to be the fourth largest supplier in the test handler market. The Group is also well recognised as the leader in test handling of small packages and its sales have been spurred by the popularity of mobile devices and system in packages ("SiP").

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

MARKET AND PRODUCT DEVELOPMENT (Continued)

Back-end Equipment Business Segment (Continued)

The Group made good progress in the flip chip market with its wide range of products. In 2015, our AD8312FC flip chip bonder for the high-speed low I/O application was a big success in the market. It offers customers a cost-effective flip chip solution given its high productivity. We believe that we have achieved a dominant market share of well above 50% of the flip chip bonders supplied to this market last year. In fact, it is very likely that we have overtaken our peers and emerged as the top flip-chip bonder supplier by quantity in the world. For the high-end flip chip market, we offer our advanced thermos-compression bonding ("TCB") solution. Copper pillar flip chip bonding using TCB is gaining momentum in the marketplace. It is a good solution for connecting very fine pitch packages and offers superior package performance. Our unique TCB solution combines high speed, high accuracy and high flexibility in a single machine. To date, the Group has the highest number of installations of TCB bonders worldwide among all suppliers.

The growth in demand for wafer level fan-out ("WLFO") is expected to accelerate further. ASMPT addresses this market with products from both Back-end Equipment Business and SMT Solutions Business. We rolled out a comprehensive suite of solutions for wafer level and panel level packaging technologies from pick & place to large format mold, stencil print, ball drop, singulation and test & finish during the year. No other equipment supplier in the world has a similarly extensive advanced packaging product portfolio. Last year, the Group successfully rolled out the NUCLEUS bonder and the SUNBIRD test, inspect and pack system to address customers' need for WLFO equipment.

It is widely recognised that low-k and ultra low-k semiconductor wafers benefit from laser grooving. For some wafer-level packaging applications, it is necessary to prepare the wafer well with good quality laser grooves before wafer reconstruction process. ALSI's advanced laser singulation offerings are optimised for laser grooving. In addition, ALSI's multi-beam technology places ASMPT well ahead of the curve in the laser dicing arena. We expect the demand for multi-beam laser singulation technology for low-k wafer grooving and thin wafer dicing to increase further as and when customers move to new wafer node technology.

Despite a slower growth in 2015, mobile devices will continue to be a major volume contributor for the semiconductor industry while other applications such as automotive electronics, power management devices, sensors and CMOS imaging sensors will offer alternate growth channels. In the LED market, LED general lighting and large LED display panels will be the market drivers. Although the CSLED application is gaining momentum, its market size remains small relative to traditional LED packages.

Packaging remains a key process in the production of semiconductor and LED devices. As such, the demand for assembly and packaging equipment will continue to be strong. The product portfolio that ASMPT has developed caters to all the major applications that are required by the semiconductor industry. We expect revenue contribution from advanced packages to continue to grow.

While it is clear that the market is making a transition to flip chip and TCB bonding, the transition will only affect certain package types and applications. For the past few years, mobile communications has been the major growth driver for the market. Cost is a very important consideration for our customers serving the consumer electronics market. We expect that the conversion to flip chip and TCB bonding will only take place in those packages or applications where flip chip bonding has proven that it is either more cost-effective than traditional die and wire bonding or superior quality and electrical performance can be achieved. In our view, the mainstream market will continue to be adequately served by die and wire bonding technologies.

Packaging technologies will continue to evolve. Like all other players in the market, ASMPT faces a business risk of not being able to introduce competitive products that meet the expectations of customers and the market. The consequence of deficiency in this respect will impact the Group's revenue and/or profitability.

Materials Business Segment

Our Materials Business has continued to perform well. During the year, it strengthened its market share further. We believe that we are now the fourth largest lead frame supplier in the world.

MARKET AND PRODUCT DEVELOPMENT (Continued)

Materials Business Segment (Continued)

Revenue for the Materials Business in 2015 was HK$1.71 billion (US$221.2 million) or 9.8% lower than the previous year. The Materials Business contributed 13.2% to the Group's total revenue. Its segment profit % dipped by 0.91% (91 bps). Gross margin for the Materials Business was higher by 1.02% (102 bps) as compared to 2014 despite lower revenue. New order bookings for the Materials Business contracted by 7.9% from a year ago.

The Group's continued emphasis on cost discipline and efficiency gains over the past few years had resulted in a lean manufacturing structure and led to improvement in productivity for this business segment. Profitability of our Materials Business has also improved due to reduction in the prices of precious metals.

The facilities for our Materials Business are strategically located in China, Malaysia and Singapore. We believe that we have struck a good balance between cost and scale of operations. The continual gains in market share will provide ASMPT with further advantages. We will benefit from economy of scale which will translate to a key cost advantage for the Group.

The synergies between the Materials Business and the Back-end Equipment Business are another competitive advantage of ASMPT which was demonstrated by our success in offering the market ultra-high density lead frames.

While we have steadily gained market share in the past few years, we recognise the potential impact on our lead frame business as and when the market transitions to advanced packaging technology. Hence, in 2015, we set up a joint venture with a tier-one OSAT to develop and manufacture MIS. MIS is a new technology serving as a cost-effective alternative to traditional lead frames and BGA substrates. MIS allows for higher I/O counts in a small form factor due to its fine-pitch routable capability. It offers superior performance for radio frequency ("RF") applications as well as better electrical and thermal performance. Compatible with wire bonding and flip chip bonding processes, MIS can support multi-chip packages in meeting the critical requirements for advanced packaging applications like System-in-Packages ("SiP"), cost-effective alternative to Fan-Out Wafer Level Packaging ("FOWLP"), devices for Internet of Things ("IoT"), RF applications and power management. We believe that this move will enhance the Group's competitiveness in advanced packaging in the long-term. Together with the Group's product portfolio for equipment, the Group now offers customers total solutions in some applications utilising advanced packaging technology. After progressing beyond the start-up phase, we expect the MIS business to contribute positively to further improvements in this business segment's gross margin, profitability and revenue growth.

We have developed good relationships with our top 10 customers for our lead frame business. They are mainly major IDMs and OSATs. No single customer is a dominant contributor to our business. ASMPT is perceived by customers as one of the most reliable lead frame suppliers. Customers also welcome the Group's move to enter the MIS market. Our financial strength and consistent track record of profitability in this business are likely the key contributing factors.

Although there are other substrates available, lead frames remain the most commonly-used substrates for packaging of semiconductor devices due to their cost-effectiveness. The risk of lead frames being replaced by other technologies in the near future is expected to be low. The entry into the MIS business has further reduced the risk exposure of our Materials Business segment.

SMT Solutions Segment

Our SMT Solutions Business has made great strides in gaining market share during the past five years since it was integrated into ASMPT. In 2015, we successfully advanced to be the top supplier in the global SMT equipment market. We have also increased our market to close to mid-20% level from about 11%-12% in 2010. In addition, we effectively penetrated many new accounts.

Our SMT Solutions Business continued to make substantial contributions to the Group's profitability. In 2015, it accounted for 41.6% of the Group's total revenue. Revenue from the SMT Solutions Business contracted marginally by 2.4% to HK$5.39 billion (US$695.5 million). However, it achieved a higher gross margin of 39.6% and a segment result of 13.9%. New order bookings for the SMT Solutions Business were lowered by 4.7% as compared to 2014.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

MARKET AND PRODUCT DEVELOPMENT (Continued)

SMT Solutions Segment (Continued)

We were clear in our objective for this business that is to improve its profitability and to expand its revenue after acquisition. Hence, we set clear strategies to achieve this objective namely through in-sourcing and to increase sourcing activities from Asian supply base, leveraging ASMPT's marketing network in Asia, improving the cost performance of its products, and developing products that address the mid-speed market as well as in adjacent market. Over the past five years, we have developed plans to execute the above strategies and have achieved positive results. We started in-sourcing with the most challenging linear motor assemblies, proving that we have the engineering and production capabilities to carry out the in-sourcing strategy as planned. Today, a significant portion of feeders, which is a major accessory of our SMT placement equipment, is now produced by our factory in Malaysia. Savings from in-sourcing activities made a material contribution to the profitability of SMT Solutions Business over the past five years.

We have also strengthened our foothold in the SMT market. We gained a significant market share in China and advanced to be the world's leading supplier in the global SMT equipment market as well as in the Americas market. We have developed a new generation of products that will offer customers improved performance at lower cost of ownership. It will enhance ASMPT's competitiveness in the market and will make positive contributions to our average selling price, revenue and profitability. The SMT Solutions Business is further strengthened with the successful integration of the DEK printing business. We have introduced a closed-loop line solution comprising printing, solder paste inspection and placement solutions in the SMT production. Offering of the placement equipment for the mid-speed market will further expand ASMPT's total addressable market in the SMT business.

The rate of innovation of our SMT Solutions Segment continued to accelerate over the years. In November 2015, our SMT Solutions Business showcased its Smart #1 SMT Factory concept comprising highly flexible new placement and printing platforms (SIPLACE TX, DEK NeoHorizon, etc.), new feeding solutions (SIPLACE BulkFeeder), the self-learning ASM ProcessExpert system for process integration, and integrated material logistics solutions (the SIPLACE Material Manager). Such solutions will provide customers with even more flexibility and efficiency in the manufacturing process while solidifying our position as the leading equipment supplier and partner of the electronics manufacturing industry. This Smart #1 SMT Factory concept is expected to provide additional impulses for continued growth for the SMT Solutions Business.

Apart from achieving significant market traction, one of our priorities since our acquisition of the SMT business is to improve the profit margins of our SMT equipment. While the depreciation of the Japanese yen continued to put severe pressure on our average selling prices (ASP) in the past year, our superior technology, outstanding machine performance, savings from in-sourcing and the Euro's depreciation against the U.S. dollar helped to mitigate the negative impact to our profitability.

It is generally believed that surface mount technology ("SMT") will remain part of the mainstream electronic assembly technology. There is no replacement technology in the short to medium term that will pose a technological risk to this business segment of the Group. However, as the Group's main competitors in this business are Japanese companies, any further slide in Japanese yen against the U.S. dollar or Euro may pose a significant business risk to the Group. In addition, as a sizeable portion of the SMT Solutions Business of the Group is based in Germany, any significant rise in Euro against the U.S. dollar may also have a substantial impact on the Group.

Moving forward, this business segment aims to further improve its manufacturing footprint by getting closer to the market, lowering its logistics costs and carbon emission, and achieving a more balanced exposure to exchange-rate risks. This year, we will execute projects to increase the manufacturing of SMT Solutions products from our factory in Malaysia.

FINANCIAL

We continued to streamline our working capital management relating to our wide product portfolio and high fluctuations in the rate of production. In 2015, the inventory turnover was 3.52 times (2014: 4.00 times), with an ending inventory of HK$3.48 billion. Accounts receivable were tightly monitored in the year. Due to the prevailing market conditions, accounts receivable increased to 102.1 days outstanding (2014: 86.8 days). Our bad debt exposure, if any, is immaterial and well-covered by provisions made in conformity with ASMPT's policy. There was a cash conversion cycle of 213.7 days (2014: 186.7 days).

Free cash flow generated in 2015 amounted to HK$605.2 million (2014: HK$1.11 billion). Cash and bank deposits as of 31 December 2015 was HK$2.28 billion (2014: HK$2.59 billion). In 2015, dividend payments to shareholders amounted to HK$925.8 million (2014: HK$520.8 million).

Capital expenditure for 2015 was HK$564.6 million (2014: HK$444.1 million), which was mostly funded by the year's depreciation and amortisation of HK$419.8 million (2014: HK$417.9 million). Return on invested capital ("ROIC") was 16.0% (2014: 27.8%). We believe that we have taken the necessary measures to bring it to a higher level when market conditions improve.

As of 31 December 2015, the current ratio was 3.22 with a debit-equity ratio of 30.6% (debts refers to all bank borrowings and convertible bonds). The Group had available banking facilities of HK$2.39 billion (US$308.3 million) in the form of bank loans and overdraft facilities, out of which HK$907.4 million (US$117.1 million) or its equivalent was for committed facilities. As of 31 December 2015, the Group has drawn HK$178.9 million (US$23.1 million) from its available banking facilities, all of which was for the utilisation of committed facilities. The Group's shareholders' funds decreased to HK$8.01 billion as at 31 December 2015 (2014: HK$8.21 billion). Return on equity ("ROE") was 11.7% (2014: 20.9%).

The Group has moderate currency exposure. The majority of our sales were denominated in U.S. dollars, Euros and Chinese renminbi. The disbursements were mainly in U.S. dollars, Euros, Hong Kong dollars, Singapore dollars, Malaysian ringgit, Chinese renminbi and British pounds. Our limited Japanese yen-based receivables were offset by some accounts payable in yen to Japanese vendors. With the addition of SMT Solutions Business segment (i.e. placement and printing) and ALSI laser and grooving business, the Group's exposure to Euros and British pounds has increased since 2011 and 2014 respectively. Bank borrowings, which are mainly arranged to support day-to-day operations and capital expenditure, are denominated in U.S. dollars. As of 31 December 2015, cash holdings of the Group are mainly in U.S. dollars, Euros, Chinese renminbi and Hong Kong dollars. The Group's SMT Solutions Business segment enters into U.S. dollar and Euro hedging contracts to mitigate the foreign currency risks as the production of SMT equipment and its suppliers are mainly located in Europe while a substantial part of the Group's revenue for SMT equipment is denominated in U.S. dollars.

As of 31 December 2015, the Group had HK$2.28 billion convertible bonds (the "Bonds") (31 December 2014: HK$2.18 billion) with an annual coupon of 2.00% due in 2019. The Group used the net proceeds from the Bonds to fund the purchase consideration for the acquisition of the DEK business, and for general working capital purposes.

RISK MANAGEMENT

Being a global organisation, ASMPT faces risks at the customer, industry and geographic levels. This includes strategic, financial, operational, compliance or other risk types. While some of the factors are controllable by the Group, some are not, such as the external environment that the Group operates in.

The semiconductor industry is largely characterised by periods of market growth that alternate with significant market contractions. This is further compounded by the constant need for capital investment to gain market traction as well as to keep pace with the accelerating pace of the technological changes. In light of these fundamental characteristics of the semiconductor industry, our risk policy is aimed at capitalising growth opportunities to build new capabilities, both in existing fields as well as in new areas in order to grow the value of business continuously and sustainably.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

RISK MANAGEMENT (Continued)

The Board and Management work together to ensure that businesses are executed according to our strategic objectives and risk appetite. ASMPT will implement a more structured, systematic and effective risk and control system in 2016 which will further enhance clarity at all levels of the organisation. There will be clear responsibility for overseeing and coordinating risk assessment and mitigation on an enterprise-wide basis so as to ensure enterprise risks are effectively identified, measured, monitored, and controlled.

The risks and opportunities faced by each business segment of the Group can be found in their respective section in this report.

CAPACITY AND PLANT DEVELOPMENT

In the past few years, the market has demonstrated high seasonal volatility. Our relative high fixed cost due to our vertically integrated internal manufacturing model has led to a significant decline in the gross margin of our Back-end Equipment Business during low seasons. To meet the changing market conditions, we fine-tuned our manufacturing strategies which have enabled us to increase the level of outsourcing during peak seasons and to build a flexible internal manufacturing workforce which is supplemented by temporary and short-term contract workers during peak seasons.

Wages in China have gone up significantly over the past few years and are expected to continue to increase further. It has thus become imperative for the Group to implement tight controls on headcount for our manufacturing operations in China. In the light of the slowing economy, the Group launched a Voluntary Separation Incentive Programme for our China manufacturing workforce during the second half of 2015. We also streamlined our manufacturing operations for the SMT Solutions Business. We closed the manufacturing facility in Shenzhen, China for SMT Printing products in December 2015 and combined it with the Group's existing manufacturing operations in Singapore and Malaysia. These two initiatives reduced the headcount by about 500, with severance-related costs of about HK$49.8 million while annual cost savings is around HK$68 million. Additional capacity will be procured from external manufacturing, automation, productivity improvements and moderate capacity expansion of our Malaysia plant to support future growth.

This year, our capital expenditure budget will be HK$656 million and of which approximately 56% will be spent on production machineries to either upgrade our capabilities or increase capacities to address current production bottlenecks. Over the past few years, the Group has been driving the direction to spend more capex in automation and capability upgrade than in capacity expansion. The aim is to increase productivity instead of hiring more people. In addition, we will allocate more resources to enhance our IT infrastructure and we expect this to contribute positively to improvement in efficiency. More resources would be invested to beef up our R&D capabilities so as to further strengthen our technological leadership and long-term cost advantages.

During the year, we expanded our manufacturing operations in Singapore with the set-up of the ASM Advanced Packaging Materials Pte. Ltd. (AAPM). In addition, we have also constructed a new building in Singapore that would integrate the facilities of our SMT Solutions Business under one roof. The new building is targeted for completion in early 2016. Our factory in Malaysia will be further expanded this year as the Group has decided to significantly increase its output for SMT Solutions' products in Asia.

This year, the Group will execute a programme to relocate its existing factory in Yantian, Shenzhen, China and to combine it with the Group's existing facilities in Longgang, Shenzhen, China because the Yantian site has been zoned for redevelopment by the Shenzhen government. The relocation is expected to be fully completed by the first half of 2017.

RESEARCH AND DEVELOPMENT

ASMPT is fully committed to delivering new cutting edge technology and system innovations. Our strategy over the years has been to deliver the best value propositions to our customers. Accordingly, we invested substantially in R&D each year and adopted a long-standing policy of investing up to 10% of our annual equipment revenue in R&D irrespective of short-term sales fluctuations. This consistent investment in R&D has allowed the Group to broaden our product portfolio to serve diverse markets and support long-term growth while boosting our competitiveness amid rising competition. Hence, irrespective of short-term challenges brought about by transient market and macroeconomic conditions, we remain committed to invest in R&D to ensure the Group stays ahead of the curve.

RESEARCH AND DEVELOPMENT (Continued)

In 2015, our net R&D expenditure increased by 3.2% to HK$1.19 billion (2014: HK$1.15 billion). This represented 10.5% of our equipment (comprising Back-end and SMT) sales and is in line with our R&D funding guidelines. Approximately 41.8% of our R&D expenditure was spent on the SMT Solutions Business.

Our R&D focus in the Back-end Equipment Business for the past few years has been in the areas of copper wire bonding, thin die handling, flip chip packaging, TCB, encapsulation of advance packages, die and package singulation, test handling and automatic optical inspection ("AOI"). We also focus on improving the light emission efficiency of the advanced packaging for LED. In recent years, we have invested heavily in the development of TCB solutions as we believe that the industry is on the verge of a technology transition. With its capability of addressing fine pitch flip chip bonding using copper pillars and potential applications for 2.5D and 3D packages we believe that fine pitch flip chip bonding including TCB is a promising technology for the future.

For the SMT Solutions Business, we concentrate our R&D efforts in developing new generation placement machines that could deliver better price performance at lower cost, software solutions that enhance the value of our products to customers, adjacent products for the SMT market and new placement machines that address the mid-speed application market.

Advanced enabling technologies in the areas of linear motor, control systems and algorithms, computer vision, software and advanced materials are ASMPT's strengths. They enable our equipment to achieve state-of-the-art performance at affordable cost.

The Group further extended its core enabling technologies to areas of material depositions, laser optics and laser separation with the addition of the printing and laser wafer separation businesses in 2014. Such broad technological capabilities placed the Group in a unique position to better serve customers as compared to its peers.

Over the years, ASMPT has invested aggressively in R&D, strengthening our competence in core and enabling technologies. Across our six R&D centres, namely Chengdu and Hong Kong (China), Singapore, Munich (Germany), Beuningen (the Netherlands), and Weymouth (the United Kingdom), we have around 1,700 product development and R&D engineers with about 56% holding a Master's degree or PhD as at end of 2015.

Our R&D centre in Chengdu, China supports all three business segments. We are satisfied with the progress that it has made to strengthen our competitive capabilities.

The R&D centres in both Munich and Singapore for the SMT Solutions Business have been expanded to include developing solutions for untapped markets and to broaden our product portfolio in the SMT equipment market horizontally. We consider these strategies as important as they will help to increase our market share and revenue.

We believe that the expansion of our R&D resources will further strengthen ASMPT's long-term strategic positioning as the leading supplier for the Back-end equipment and SMT equipment markets. It will also help to fuel growth across ASMPT's businesses, ensuring that ASMPT is well-positioned to capitalise opportunities brought about by the convergence of chip packaging and SMT processes.

HUMAN RESOURCES

With people as a core asset, ASMPT continued to adopt a proactive approach to attract, develop and retain people with the right aptitude and abilities to meet current and future organisational needs. Besides offering competitive remuneration packages, the Group is also committed to providing specialised yet demanding staff development and training programmes to bring out the best in its people. In addition, salary review is conducted annually. Apart from salary remuneration, other benefits include contributions to provident fund schemes, medical and training subsidies. Discretionary bonus and incentive shares may be granted to eligible staff based on the Group's financial results and individual performance.

As of 31 December 2015, the total headcount of the Group worldwide was approximately 14,300 people including 223 temporary or short-term contract employees. Of the total workforce, 1,300 were based in Hong Kong, 8,900 were based in Mainland China, 1,400 were based in Singapore, 900 were based in Germany, 800 were based in Malaysia, 400 were based in the United Kingdom and the remaining 600 were based in other parts of the world.

Total manpower costs for the Group for 2015 were HK$3.86 billion (US$497.7 million), as compared to HK$3.94 billion (US$508.0 million) in 2014.

SUSTAINABILITY REPORT

The Group is committed to ensuring that it conducts its business in a manner that takes into account the impact on the environment, people and community, and contributes to their long term well-being. The Group's efforts on environmental and social fronts are highlighted in the following section.

ENVIRONMENT

The Group strongly emphasizes environmental sustainability throughout our global manufacturing operations. We have an environment charter that highlights our commitment to environmental care, pollution prevention and continuous improvement of the environmental performance in all our activities, products and services. At the operational level, our businesses are continually seeking ways to prevent and minimise water pollution, improve energy efficiency and reduce, reuse and recycle wastes.

As the Group uses large volume of water in manufacturing of lead frames, it is vital that we take a strategic and environmentally sustainable approach to our supply and use of water. We have installed water treatment and recycling facilities in our manufacturing plants located in China (Shenzhen), Malaysia and Singapore to process waste water. In 2015, more than 50% of the processed water from our lead frame operations was recycled.

ASMPT considers climate change an important environmental issue and actively works on increasing energy efficiency in our production processes. In the last few years, we have implemented several initiatives to increase energy efficiency such as use of heat recovery from air compressors for manufacturing process; replacement of old chiller plants with efficient ones; adoption of COOLNOMIX controls for air conditioning systems; adoption of VSD technology in chiller pumps, condenser pumps and cooling tower fans; installation of motion and light sensors in infrequently used areas, and installation of LED lights. In 2015, we managed to reduce the normalised energy consumption by more than 30%, as compared to the 2012 level.

Our new building in Singapore, which was completed in early 2016, is equipped with a highly intelligent Building Management system. The system monitors building security, control access, fire zones, lift operation, power consumption and compressed air system, among others. The new building has been certified by the Singapore Building and Construction Authority (BCA) to have met the BCA Green Mark Gold rating. The BCA Green Mark is a green building rating system to evaluate a building for its environmental impact and performance.

We have also put in place waste-reduction measures with the aim of creating a sustainable society. To promote the reuse of parts and assemblies, "Recycled Materials Collection Day" is organised on a regular basis where wastes collected are reviewed for either internal reuse or disposal via external waste recycle collectors. We also have a programme to reduce the consumption of packing materials such as plastic bags. For example, the usage of plastic bags has reduced by 97% compared to the 2005-2007 average consumption level. Our waste reduction and recycle programmes have enabled us to manage our resources more effectively and minimise wastage.

We understand that making as many products as we do has a significant impact on the environment. Hence, we are always striving to make our products more environmentally friendly from their design to manufacturing. During the product design stage, our product development teams have to adhere to our Design for Excellence (DFE) programme, which has been introduced since 2005, on top of better environmental performance in mind. The DFE programme is a "health check" programme for our products at the machine level on various design aspects. In addition, our products are made of reusable and recyclable materials, where possible. For instance, our SIPLACE machines can be disassembled energy-efficiently, and any parts that are no longer usable can be properly disposed of or recycled. Moreover, they can also be refurbished to extend their lifespans. In the area of resource conservation, we constantly strive to design products with reduced weight and volume. Continuous efforts are made to improve our manufacturing processes to reduce machine hours and use of materials. We have managed to steadily reduce our machines' energy usage per component through continuous innovations and improvements. The automatic shut-down of compressed air and vacuum pumps during production breaks is just one of our successful advancements in the SMT equipment field.

ENVIRONMENT (Continued)

In recognition of our continuous efforts towards better environmental performance, the Group has been awarded the ISO 14001:2004 certification for our manufacturing facilities in China, Hong Kong, Germany, Singapore and Malaysia.

REGULATORY REQUIREMENTS

The Group complies with all applicable legislations and requirements. We are also working towards ensuring that our products comply with the RoHS hazardous substance directives. In fact, our SIPLACE machines were some of the first placement systems that met all RoHS requirements for the production of electronic modules, that is, for lead-free soldering.

We also take appropriate measures to ensure that the tantalum, tin, tungsten and gold (3TG) in our manufactured systems are not directly or indirectly sourced from restricted or embargoed countries as laid out in the Electronic Industry Code of Conduct ("EICC") regarding responsible sourcing. We also embed the EICC requirements in our Supplier Code of Conduct.

The Group adopts a proactive international tax compliance management process that is intended to ensure adherence with tax obligations in all locations where economic activities of our operations take place. In addition, we also have in place appropriate measures to protect privacy and comply with privacy and information security laws and regulatory requirements.

STAKEHOLDER ENGAGEMENT

Customers

ASMPT believes that the unstinting support of our customers is vital to our growth and sustainable development. We have the widest portfolio of products that serves diverse application markets. We work closely with our customers to develop the solutions they need. ASMPT maintains active engagement with our customers through open communication channels, via our sales and marketing departments, trade shows, customer support systems, marketing activities, among others, thereby earning their trust and support over time. Through the years, our revenue and market share have grown substantially, which indicate a high degree of customer satisfaction for our products. For instance, both our flip chip bonders for the high-speed low I/O market applications segment and our test handlers for the handling of 0603 devices gained significant market share of more than 50% in their respective markets in 2015. At the same time, ASMPT believes in building its business on a diversified customer base. For a very long period of time, no single customer accounted for more than 10% of the Group's annual revenue. In 2015, our top 20 customers collectively contributed 39.4% to our total revenue. The Group has also entered into strategic partnership programmes with leading customers to develop state-of-the-art technologies and products that will not only benefit the Group and the engaged leading customers, but also the industry in general.

Employees

The Group adopts good human resource policies and practices that promote fairness, safe and comfortable working conditions, reward good performance, encourage teamwork, ensure career growth, and provide work-life balance, for example, through recreational facilities like gym, basketball and tennis courts, and sports and leisure events such as yoga, health talks, team building sessions and so forth. ASMPT engages all staff across countries via emails, intranet, staff broadcasts, internal staff publications and videos, monthly Lunch with Executive networking sessions, among others. The Group extends engagement with its staff to include their family members through activities such as Family Day, Annual Dinner and Dance, football training class for their children, and Volunteer Day, to name a few.

The Group has a Code of Conduct to guide the business conduct of all our employees. The Whistle-blower programme, including reporting of fraudulent activities, sets out responsibilities, steps to take and support for reporting violations of the Group's Code of Conduct with no retaliation against employees for reporting in good faith. These procedures are made known to employees through the intranet, notice boards, new employee orientation and regular compliance communications.

SUSTAINABILITY REPORT *(CONTINUED)*

STAKEHOLDER ENGAGEMENT (Continued)

Suppliers

ASMPT adheres to high ethical standards and expects the same from our suppliers. The Group treats all its suppliers fairly. The Group selects suppliers based on their products, services, quality, technology, capability, cost effectiveness, business integrity, sustainability, growth potential and management system. To do business with the Group, our suppliers must agree to meet the standards stated in our Supplier Code of Conduct, which includes labour and human rights, health and safety, environment, management systems and ethics. We reinforce those expectations with periodic assessments and audits. In 2015, 30% of our key suppliers were audited. As our suppliers expect a long-term relationship that is mutually beneficial and based on trust, we engage our suppliers in meetings, correspondences and tele-conferences for discussions. We also work closely with them to create sustainable products.

Community

ASMPT believes in active contribution to the communities in which we operate. Besides direct contribution from the companies of the Group, ASMPT encourages and facilitates active participation of its staff and their family members in its community engagement initiatives.

The Group has been actively involved in a number of community fund raising programmes through the years and has made significant donations to charitable organisations. In December 2015, in conjunction with our 40th anniversary, a sum of HK$300,000 (comprising donations from both company and staff) was presented to the Médecins Sans Frontières (MSF), an international, independent, medical humanitarian organisation that delivers emergency aid to people affected by armed conflict, epidemics, natural disasters and exclusion from healthcare. In the United Kingdom, staff volunteers raised funds for local charity – Gully's Place, and donated used iPads for Wyvern Academy, a purpose-built school in Weymouth for children and young people aged from 2 to 19 with complex needs, including Autistic Spectrum Disorder.

Apart from giving as an organisation, the Group believes in fostering the spirit of volunteerism among staff. In 2015, staff from our Hong Kong office actively participated in meaningful activities such as Oxfam Trailwalker, Green Power and UNICEF Charity Runs, International Coastal Cleanup, rice dumpling making session with the disabled, Stanley Dragon Boat fun day and mooncake making session with the teens, and Organic Harvest Day with the elderly among others. The Hong Kong team has participated in the Oxfam Trailwalker programme since 2000, in terms of financial sponsorship and sending our best teams to support the Trailwalker drive. The Hong Kong team has also organised blood donation drives together with the Hong Kong Red Cross Society since 1991. In Malaysia, staff spent a fun-filled day with underprivileged children when they visited the Berkat Children's Home, while some of our colleagues from Singapore spent a fun and meaningful morning at the Sungei Buloh Wetland Reserve with the Lion Club Singapore and 160 beneficiaries. The Singapore office also took part in the "Race against Cancer" run and blood donation programme. In the United States, staff took part in Toys-for-Tots Drive, collecting toys for less fortunate children in the Memphis area.

The Group believes in the power of education to positively impact lives, and support initiatives that promote access to quality education. We host plant visits for engineering students from local universities and technical institutes in both Hong Kong and Singapore, providing them with insights into the hi-value and hi-tech manufacturing industry. We also run internship programmes for budding engineers as well as offer scholarship opportunities in countries of operations like in Hong Kong, China, Singapore, Germany and the United Kingdom.

In conjunction with its 40th anniversary, ASMPT launched the ASM Technology Awards 2015 in Hong Kong to recognise and reward outstanding university students whose final-year projects demonstrated excellence in technology and innovation. The company has also sponsored Robocon 2015, a renowned robot institutional contest in Hong Kong and the "Challenge Cup" Hong Kong University Students Extra-curriculum Technology Contest. Through these initiatives, we hope to play a part in nurturing tomorrow's leaders and inspiring smarter technology in the engineering profession.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and marketing of machines, tools and materials used in the semiconductor and electronic assembly industries.

RESULTS AND APPROPRIATIONS

The Directors recommend the payment of a final dividend of HK$0.40 (2014: Final dividend of HK$1.30) per share which, together with the interim dividend of HK$1.00 (2014: Interim dividend of HK$0.80) per share paid during the year, makes a total dividend for the year of HK$1.40 (2014: HK$2.10) per share.

Details of the results and the financial position of the Group are set out in the consolidated financial statements on pages 58 to 147.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement and Management Discussion and Analysis on pages 4 to 20 and pages 22 to 29 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 6 to the consolidated financial statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Sustainability Report on pages 30 to 32 of the annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 148 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2015 are set out in note 43 to the consolidated financial statements.

SHARE CAPITAL

On 15 December 2015, 2,010,800 shares were issued at par to certain employees pursuant to their entitlements under the Company's Employee Share Incentive Scheme.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 37 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2015 are set out in note 32 to the consolidated financial statements.

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

During the year, 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 Exchange a total of 315,000 shares in the Company. The cost of purchase of these shares amounted to HK$23.3 million.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, as at 31 December 2015 amounted to HK$2,003,621,000 (2014: HK$2,325,530,000). In accordance with the Company's Articles of Association, dividends can only be distributed out of profits of the Company.

DIRECTORS

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

Executive Directors:

Mr. Arthur H. del Prado, Chairman
Mr. Lee Wai Kwong, Chief Executive Officer
Mr. Chow Chuen, James, Chief Operating Officer
Mr. Robin Gerard Ng Cher Tat, Chief Financial Officer

Non-executive Directors:

Mr. Charles Dean del Prado
Mr. Petrus Antonius Maria van Bommel

Independent Non-executive Directors:

Miss Orasa Livasiri
Mr. Lok Kam Chong, John
Mr. Wong Hon Yee
Mr. Tang Koon Hung, Eric

On 11 February 2016, the Board has announced that Mr. Arthur H. del Prado will step down from his position as Chairman of the Board of Directors with effect from 9 May 2016. He will continue to serve the Board as a non-executive director effective from 9 May 2016 onwards.

DIRECTORS (Continued)

The Board also announced the appointment of Miss Orasa Livasiri as acting Chairman of the Board, effective from 9 May 2016, as it continues the process of identifying a suitable person to act as Chairman of the Board.

In accordance with the articles 113 and 114 of the Company's Articles of Association ("the Articles"), Mr. Charles Dean del Prado, Mr. Petrus Antonius Maria van Bommel, Miss Orasa Livasiri, Mr. Wong Hon Yee and Mr. Tang Koon Hung, Eric will retire from office as Directors at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The biographical details of the Directors during the year and up to the date of this report are set out below:

Mr. Arthur H. del Prado, aged 84, is the founder and Chairman of the Company and the founder of ASM International N.V. ("ASM International"), the latter being a major shareholder of the Company. Mr. del Prado previously served on the board of directors of several companies, namely, Océ van der Grinten Nederland N.V., a manufacturer of copiers and printers; G.T.I. Holding N.V., an electronic equipment and installations company; Delft Instruments N.V., a manufacturer of high-technology industrial and defense products; Breevast N.V., a project development and management company; Dujat, a Dutch & Japanese Trade Federation and ABN-AMRO Bank (Advisory Counsel). He was also a member of a number of civic and non-profit making organizations, including the MEDEA+ Board, a "Micro Electronics Development for European Applications" project. At present, Mr. del Prado is still serving on the board of several start-up technology companies.

Mr. Lee Wai Kwong, aged 61, was appointed to the Board as the Chief Executive Officer of the Group on 1 January 2007. He has a Bachelor of Science degree and a Master of Philosophy degree from The Chinese University of Hong Kong, Hong Kong; both degrees are in Electronics. He also has a Masters degree in Business Administration from the National University of Singapore, Singapore. Mr. Lee joined the Group in 1980. He has over 30 years of working experience in the semiconductor industry. Mr. Lee currently serves as the Chairman of the Advisory Committee of the Department of Electronic Engineering of The Chinese University of Hong Kong, Hong Kong.

Mr. Chow Chuen, James, aged 59, was appointed to the Board as the Chief Operating Officer of the Group on 1 January 2007. He has a Bachelor of Science degree in Electrical Engineering from the University of Hong Kong and a Master of Science degree in Manufacturing System Engineering from the University of Warwick, England. Mr. Chow joined the Group in 1982. He has over 30 years of working experience in the electronics and semiconductor industry.

Mr. Ng Cher Tat, Robin, aged 52, was appointed to the Board as an Executive Director on 28 April 2011. He was also appointed Chief Financial Officer of the Group on 1 February 2010. Mr. Ng holds a Bachelor of Accountancy from the National University of Singapore and a Master of Laws (Commercial Law) from the University of Derby, the United Kingdom. Mr. Ng has more than 25 years of experience in finance, audit and accounting. He is a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants.

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS (Continued)

Mr. Charles Dean del Prado (He is also known as "Mr. Chuck del Prado"), aged 54, was appointed as a Non-executive Director of the Company on 29 April 2010. He is a member of the Management Board of ASM International since 2006. He assumed the position of Chief Executive Officer (CEO) of ASM International on 1 March 2008. As CEO, Mr. Charles Dean del Prado oversees the operations of the worldwide organization from the company headquarters in Almere, the Netherlands. Mr. Charles Dean del Prado is the son of Mr. Arthur H. del Prado, the Chairman of the Company. During his thirty-year career, Mr. Charles Dean del Prado has had worldwide experience in sales, marketing, manufacturing, and customer service of high technology computer and semiconductor products. From 2003 to 2007, he served as President and General Manager of ASM America, responsible for the R&D, sales, manufacturing, and service of the Epitaxy and Thermal ALD product lines. He also directed sales and service of ASM International's Front-end product lines to all US customers. Previously, Mr. Charles Dean del Prado served as Director of Marketing, Sales & Service of ASM Europe. Prior to joining ASM International in 2001, Mr. Charles Dean del Prado spent five years at ASM Lithography Holding N.V. (ASML) in Taiwan and the Netherlands managing wafer stepper manufacturing and customer program management. From 1989-1996, Mr. Charles Dean del Prado had assignments in sales and global account management at IBM Nederland N.V.. Mr. Charles Dean del Prado has a Master of Science degree in Industrial Engineering and Technology Management from the University of Twente in the Netherlands.

Mr. Petrus Antonius Maria van Bommel (He is also known as "Mr. Peter van Bommel"), aged 59, was appointed as a Non-executive Director of the Company on 29 October 2010. He is the Chief Financial Officer of ASM International. He was appointed as a member of the Management Board of ASM International in May 2010 for a period of 4 years and he was reappointed in May 2014 for a period of 4 years again. He holds a Master's degree in economics from the Erasmus University, Rotterdam, the Netherlands. He has more than twenty years of experience in the electronics and semiconductor industry. He spent most of his career at Philips, which he joined in 1979. From the mid-1990s until 2005, Mr. Petrus Antonius Maria van Bommel acted as Chief Financial Officer of several business units of the Philips group. Between 2006 and 2008, he was Chief Financial Officer at NXP (formerly Philips Semiconductors) and was Chief Financial Officer of Odersun AG, a manufacturer of thin-film solar cells and modules, from January 2009 until 31 August 2010. In April 2012 Mr. van Bommel was appointed as a member of the Supervisory Board and member of the Audit Committee of the Royal KPN N.V.. In April 2015, Mr. van Bommel was appointed as a member of the Supervisory Board of Neways Electronics International N.V. (a company listed on Euronext Amsterdam, stock code: NEWAY).

Miss Orasa Livasiri, Independent Non-executive Director, aged 60, was appointed to the Board as an Independent Non-executive Director in 1994. She was a solicitor in private practice and a partner of Messrs. Ng, Lie, Lai & Chan prior to her retirement in November 2012.

Mr. Lok Kam Chong, John, Independent Non-executive Director, aged 53, was appointed to the Board as an Independent Non-executive Director on 9 March 2007. Mr. Lok is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has 20 years of experience in financial management and corporate controllership. Mr. Lok started his career as an auditor in an international accounting firm and then moved to work for some major financial information companies, including Moneyline Telerate (Hong Kong) Ltd. and Dow Jones Telerate. He is currently a Director of FHL & Partners CPA Limited. Mr. Lok holds Dual Degrees in Master in Business Administration and Master of Science in Information Technology from The Hong Kong University of Science and Technology.

DIRECTORS (Continued)

Mr. Wong Hon Yee, Independent Non-executive Director, aged 68, was appointed to the Board as an Independent Non-executive Director on 27 December 2012. Mr. Wong is a chartered engineer and a fellow of the Hong Kong Institution of Engineers. He was the Associate Vice President (Knowledge Transfer) at the City University of Hong Kong prior to his retirement in 2014. Prior to joining City University of Hong Kong, he has been involved in high-tech product design and engineering management in industry for 25 years, over 20 of which were spent at Ampex Ferrotec Ltd., a subsidiary of Ampex Corporation in the USA. He received his Bachelor of Science in Electrical Engineering from the University of Hong Kong in 1969 and Master of Science in Electrical Engineering and Computer Science (EECS) from the University of California, Berkeley in 1971.

Mr. Tang Koon Hung, Eric, Independent Non-executive Director, aged 70, was appointed as an Independent Non-executive Director on 26 April 2013. He was formerly an Independent Non-executive Director of the Company for the period from 6 September 2004 to 31 January 2007, an Executive Director and the Chief Financial Officer of the Company for the period from 1 February 2007 to 1 February 2010. Mr. Tang was also appointed as an Independent Non-executive Director of EGL Holdings Company Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 06882) on 13 November 2014. Mr. Tang qualified as a Chartered Accountant in Canada and is a member of the Hong Kong Institute of Certified Public Accountants. He has worked in the fields of manufacturing, banking, and public utilities with some major corporations both in Canada and in Hong Kong. Mr. Tang graduated from the University of Toronto, Canada. He holds a Bachelor degree in Industrial Engineering and a Master degree in Business Administration.

SENIOR MANAGEMENT

For the year ended 31 December 2015, the Group's senior management team includes, other than the Executive Directors, Mr. Wong Yam Mo, the Chief Technology Officer of the Group, his biographical information is as follows:

Mr. Wong Yam Mo, aged 56, is an Executive Vice President and Chief Technical Officer of the Group. He has a Bachelor of Science degree in Mechanical Engineering and a Master degree in Industrial Engineering, both from the University of Hong Kong. He also holds a Master degree in Precision Engineering from the Nanyang Technological University, Singapore. Mr. Wong joined the Group in 1983.

Effective from 1 January 2016, the following persons have become part of the Group's senior management team:

Mr. Chan Hung, Lawrence, aged 61, is an Executive Vice President of the Group and Chief Executive Officer of the Group's Back-end Equipment Segment (IC, Discrete & CIS). He holds a Diploma in Company Secretaryship & Administration from the Hong Kong Polytechnic, which was later renamed the Hong Kong Polytechnic University, Hong Kong. Mr. Chan joined the Group in 1978.

Mr. Tang Yui Kin, aged 62, is an Executive Vice President of the Group and Chief Executive Officer of the Group's Back-end Equipment Segment (Opto, COB & Display). He graduated from the Hong Kong Polytechnic, which was later re-named the Hong Kong Polytechnic University, Hong Kong. He joined the Group in 1978 as a product designer and held management positions in Manufacturing, Field Engineering, Sales and Marketing before heading the business segment of LED, COB and Display Equipment. He has a wealth of experience in the semiconductor industry, and has lectured at the Hong Kong Polytechnic University and at the Hong Kong University of Science and Technology (HKUST). He is currently a member of the Advisory Board in the Department of Electronics and Computer Engineering of HKUST for research in LED technology.

Mr. Tsui Ching Man, Stanley, aged 59, is an Executive Vice President of the Group and Chief Executive Officer of the Group's Material Business Segment. Mr. Tsui has over 35 years of working experience in the semiconductor industry. Before joining the Group in 1987, he worked in major semiconductor companies in Hong Kong and Singapore. Mr. Tsui graduated from the National Taiwan University with a Bachelor of Science degree in Mechanical Engineering. He also holds three Master degrees in Manufacturing Technology, Information System and Business Administration, respectively.

DIRECTORS' REPORT *(CONTINUED)*

SENIOR MANAGEMENT (Continued)

Mr. Guenter Walter Lauber, aged 54, is an Executive Vice President of the Group and Chief Executive Officer of the Group's SMT Solutions Segment. Mr. Lauber has 19 years of working experience in the SMT equipment industry. In 2007, Mr. Lauber took charge of the SMT business that was subsequently acquired by the Group in 2011. He joined the Group following the acquisition. He has a Master degree in Electrical Engineering from the Fachhochschule Augsburg (Augsburg University of Applied Sciences), Germany.

Mr. Patrick Lim, aged 62, is an Executive Vice President (Corporate Operations) of the Group. Mr. Lim joined the Group in 1995. He has a Bachelor of Science (Honours) degree in Production Management and Mechanical Technology and a Master of Science degree in Operational Research, both from the University of Strathclyde, the United Kingdom.

EMPLOYEE SHARE INCENTIVE SCHEME

The Group has an Employee Share Incentive Scheme (the "Scheme") for the benefit of the Group's employees and members of management. The Scheme has a life of 10 years starting from March 1990. On 25 June 1999, at an extraordinary general meeting of the Company, the shareholders approved to extend the period of the Scheme for a further term of 10 years up to 23 March 2010 and allow up to 5% of the issued share capital of the Company from time to time, excluding any shares of the Company subscribed for or purchased pursuant to the Scheme since 23 March 1990, to be subscribed for or purchased pursuant to the Scheme during the extended period.

At the annual general meeting of the Company held on 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to 23 March 2020 and allow up to 7.5% of the issued share capital of the Company from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme during such extended period except that for the period from 24 March 2010 to 23 March 2015, no more than 3.5% of the issued share capital of the Company from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) is to be subscribed for or purchased pursuant to the Scheme.

On 26 March 2015 and 15 June 2015, the Directors resolved that the Company should contribute HK$23.8 million to the Scheme, enabling the trustees of the Scheme to subscribe or purchase a total of 2,359,800 shares in the Company for the benefit of employees and members of the management of the Group in respect of their services for the year ended 31 December 2014, such shares to be vested upon expiration of the defined qualification period. Out of the 2,359,800 shares in the Company to be subscribed or purchased, 315,000 shares ("Award Shares") were allocated to be purchased at market price as soon as practicable on The Stock Exchange of Hong Kong Ltd.

The Board also resolved to instruct an independent professional trustee appointed by the Board under the Scheme to purchase the Award Shares. These Award Shares represented the aggregate of shares to which the three executive Directors, namely, Mr. Lee Wai Kwong, Mr. Chow Chuen, James and Mr. Robin Gerard Ng Cher Tat, and other connected persons of the Company as defined under the Listing Rules would be eligible to receive pursuant to the Scheme, and subject to the 2015 qualification period, the Award Shares would be held on trust for them.

In June 2015 and November 2015, the independent trustee purchased a total of 315,000 Award Shares, which represented approximately 0.078% of total issued share capital of the Company at the date of purchase, at total consideration of HK$23.3 million on the Stock Exchange. These 315,000 Shares were transferred to the said Directors and the connected persons at no cost upon the expiration of 2015 qualification period.

DIRECTORS' INTERESTS IN SHARES

Details of the interests of the Directors and chief executives of the Company and their associates in the share capital of the Company and its associated corporations as at 31 December 2015 as recorded in the register by the Company pursuant to Section 352 of the Securities and Future Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long and short positions

Shares of HK$0.10 each of the Company:

		Long positions		Short positions	
Name of director	Capacity	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
Arthur H. del Prado *(Note)*	Interest of a controlled corporation	**6,550,000**	**1.62%**	**6,550,000**	**1.62%**
Lee Wai Kwong	Beneficial Owner	**1,183,100**	**0.29%**	**–**	**–**
Chow Chuen, James	Beneficial Owner	**539,800**	**0.13%**	**–**	**–**
Robin Gerard Ng Cher Tat	Beneficial Owner	**120,000**	**0.03%**	**–**	**–**
Tang Koon Hung, Eric	Beneficial Owner	**3,000**	**0.001%**	**–**	**–**

Note: Mr. Arthur H. del Prado is taken to be interested and have a short position in the shares through his wholly owned corporation, ADP Industries B.V..

Save as disclosed above and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company or its subsidiaries, as at 31 December 2015, none of the Directors or chief executives of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' REPORT *(CONTINUED)*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests or short positions in the share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Long positions		Short positions		Lending pool	
Name of shareholder	Capacity	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company	Number of shares held	Percentage of shareholding in the Company
ASM International N.V. *(Note 1)*	Interest of a controlled corporation	160,003,000	39.55%	–	–	–	–
ASM Pacific Holding B.V.	Beneficial owner	160,003,000	39.55%	–	–	–	–
Commonwealth Bank of Australia *(Note 2)*	Interest of a controlled corporation	52,645,578	13.01%	–	–	–	–
JPMorgan Chase & Co.	*(Note 3)*	47,905,076	11.84%	20,973,146	5.18%	10,135,748	2.51%
The Capital Group Companies, Inc *(Note 4)*	Interest of a controlled corporation	30,855,500	7.63%	–	–	–	–
Genesis Asset Managers, LLP	Investment manager	27,270,269	6.74%	–	–	–	–

Notes:

1. ASM International N.V. is deemed interested in 160,003,000 shares, through the shares held by its wholly owned subsidiary, ASM Pacific Holding B.V..

2. The Commonwealth Bank of Australia is deemed interested in 52,645,578 shares, through the shares held by its wholly owned subsidiary, Colonial Holding Company Limited (which is deemed interested in the Company through the shares held by Commonwealth Insurance Holdings Limited, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Ltd, SI Holdings Limited, First State Investment Management (UK) Limited, First State Investments International Limited, Capital 121 Pty Limited, Colonial First State Investments Limited, Realindex Investments Pty Limited, First State Investments (Bermuda) Limited, First State Investments Holdings (Singapore) Limited and First State Investments (Singapore), each a wholly owned subsidiary of Colonial Holding Company Limited).

3. The interests held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)	Number of shares (Lending pool)
Beneficial owner	36,604,921	20,973,146	–
Investment manager	1,164,407	–	–
Custodian corporation/approved lending agent	10,135,748	–	10,135,748

4. The Capital Group Companies, Inc. is deemed interested in 30,855,500 shares, through the shares held by its wholly owned subsidiary, Capital Research and Management Company.

Save as disclosed above, as at 31 December 2015, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no other person who had any interest or short position in the shares or underlying shares of the Company.

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

The Independent Non-executive Directors of the Company confirmed that the connected transactions have been entered into by the Group in the ordinary and usual course of business on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENT POLICY

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

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

The Company currently has an Employee Share Incentive Scheme as an incentive to Directors and eligible employees, details of which are set out in note 34 to the consolidated financial statements.

PERMITTED INDEMNITY

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS' REPORT *(CONTINUED)*

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$1,024,000.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Lee Wai Kwong
DIRECTOR
23 February 2016

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") throughout the year ended 31 December 2015.

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

THE BOARD

Board composition

As at 31 December 2015, the Company has ten directors, one of whom is female. The majority of Board members are non-executive directors. They bring to the Board a wide range of professional experience in areas of business, financial, legal, technical and industrial, which contribute to the effective direction of the Group. Members of the Board comprise nationals from Hong Kong, Singapore, Thailand and the Netherlands. The Board considers its current composition to have achieved good diversity in terms of gender, cultural, educational background and professional experience.

The Board of the Company comprises the following directors during the year ended 31 December 2015:

Executive Directors

Arthur H. del Prado*	(Chairmen of the Board and Nomination Committee, Member of Remuneration Committee)
Lee Wai Kwong	(Chief Executive Officer)
Chow Chuen, James	(Chief Operating Officer)
Robin Gerard Ng Cher Tat	(Chief Financial Officer)

Non-Executive Directors

Charles Dean del Prado	(Member of Remuneration Committee and Nomination Committee)
Petrus Antonius Maria van Bommel	(Member of Audit Committee)

Independent Non-Executive Directors

Orasa Livasiri **	(Chairman of Remuneration Committee, Member of Audit Committee and Nomination Committee)
Lok Kam Chong, John	(Chairman of Audit Committee, Member of Remuneration Committee and Nomination Committee)
Wong Hon Yee	(Member of Nomination Committee)
Tang Koon Hung, Eric	(Member of Audit Committee and Remuneration Committee)

* Mr. Arthur H. del Prado will step down from his position as Chairman of the Board of Directors with effect from 9 May 2016. He will continue to serve the Board as a non-executive director effective from 9 May 2016 onwards.

** Miss Orasa Livasiri will be appointed as acting Chairman of the Board with effect from 9 May 2016.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

THE BOARD (Continued)

Board composition (Continued)

Mr. Charles Dean del Prado is the son of Mr. Arthur H. del Prado. This aside, none of the members of the Board is related to one another.

During the year ended 31 December 2015, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. Currently, there are two such directors on the Board and they are also members of the Board's Audit Committee. The Company has complied with the Listing Rules requirement of independent non-executive directors representing at least one-third of the Board.

The Company has received written annual confirmation from each independent non-executive director of his or her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Diversity Policy

The Board adopted the Board Diversity Policy in September 2013 setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. The Company will also take into account factors based on its own business model and specific needs from time to time. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

The Board will review the board diversity policy on a regular basis to ensure its continued effectiveness.

Corporate Governance Functions

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

(a) To provide independent, effective leadership to supervise the management of the Company's business and affairs to grow value responsibly, in a profitable and sustainable manner, and in the best interests of its shareholders.

(b) To develop and review the Company's policies and practices on corporate governance.

(c) To review and monitor the training and continuous professional development of directors and senior management.

(d) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

(e) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.

(f) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

(g) To appoint any other committees that the Board decides are needed and delegate to those committees any appropriate powers of the Board.

(h) To retain, oversee, compensate and terminate independent advisors to assist the Board in its activities.

THE BOARD (Continued)

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. The position of the Chairman is held by Mr. Arthur H. del Prado while the position of Chief Executive Officer is held by Mr. Lee Wai Kwong during the year ended 31 December 2015. Their respective responsibilities are clearly defined and set out in writing.

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

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

Appointment and re-election of directors

In accordance with the Company's Articles of Association ("Articles"), each Director elected by the Company at general meetings shall be elected for a term of not more than three years until the conclusion of the third annual general meeting following his or her appointment. The Directors whose term has expired are eligible for re-election at general meetings.

Mr. Charles Dean del Prado, Mr. Petrus Antonius Maria van Bommel, Miss Orasa Livasiri, Mr. Wong Hon Yee and Mr. Tang Koon Hung, Eric shall retire from office as Directors in accordance with Articles 113 and 114 of the Company's Articles and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Nomination Committee

The Nomination Committee comprises five members as at 31 December 2015. Mr. Arthur H. del Prado is the chairman with three other members are independent non-executive directors namely, Miss Orasa Livasiri, Mr. Lok Kam Chong, John and Mr. Wong Hon Yee and another member is a non-executive director, Mr. Charles Dean del Prado.

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

The major duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

- To identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

- To assess the independence of independent non-executive directors.

THE BOARD (Continued)

Nomination Committee (Continued)

- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the Chief Executive Officer, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, including making recommendations on the composition of the Board generally and the balance between executive and non-executive directors appointed to the Board.

- To recommend directors who are retiring to be put forward for re-election.

The Nomination Committee held two meetings during the year ended 31 December 2015 and the attendance record is set out under "Directors' attendance records" on page 48.

Induction and continuing development for directors

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

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

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

The Directors are committed to complying with Code Provision A.6.5 of the CG Code on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2015 to the Company.

THE BOARD (Continued)

Induction and continuing development for directors (Continued)

The individual training record of each Director received for the year ended 31 December 2015 is summarized as below:

Participation in Continuous Professional Development Programme in 2015

Directors	Reading Regulatory Updates	Attending briefings/seminars/ conferences relevant to the business	Attending training/ briefing on regulatory development, directors' duties or other relevant topics
Executive Directors			
Arthur H. del Prado		√	
Lee Wai Kwong	√	√	
Chow Chuen, James	√	√	√
Robin Gerard Ng Cher Tat	√	√	
Non-executive Directors			
Charles Dean del Prado	√	√	√
Petrus Antonius Maria van Bommel	√	√	√
Independent Non-executive Directors			
Lok Kam Chong, John	√	√	√
Orasa Livasiri	√	√	√
Wong Hon Yee	√	√	√
Tang Koon Hung, Eric	√	√	√

Board meetings

Board practices and conduct of meetings

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

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

Minutes of all Board meetings, Audit Committee meetings and Nomination Committee meetings are kept by the Company Secretary while minutes of Board meetings relating to the Employee Share Incentive Scheme and Remuneration Committee meetings are kept by the secretary of the Chief Executive Officer. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

THE BOARD (Continued)

Board meetings (Continued)

Board practices and conduct of meetings (Continued)

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

Directors' attendance records

Nine Board meetings were held during the year.

The individual attendance (either in person or through other electronic means of communication) record of each director at the meetings of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the 2015 Annual General Meeting, during the year ended 31 December 2015 is set out below:

Directors		Attendance/Number of Meetings held during the tenure of directorship				
		Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	2015 Annual General Meeting
Executive Directors						
Arthur H. del Prado	(Chairmen of the Board and Nomination Committee)	9/9	N/A	2/2	2/2	1/1
Lee Wai Kwong		9/9	N/A	N/A	N/A	1/1
Chow Chuen, James		9/9	N/A	N/A	N/A	1/1
Robin Gerard Ng Cher Tat		9/9	N/A	N/A	N/A	1/1
Non-executive Directors						
Charles Dean del Prado		9/9	N/A	2/2	2/2	1/1
Petrus Antonius Maria van Bommel		9/9	4/4	N/A	N/A	1/1
Independent Non-executive Directors						
Lok Kam Chong, John	(Chairman of Audit Committee)	9/9	4/4	2/2	2/2	1/1
Orasa Livasiri	(Chairman of Remuneration Committee)	7/9	4/4	2/2	2/2	1/1
Wong Hon Yee		9/9	N/A	2/2	N/A	1/1
Tang Koon Hung, Eric		9/9	4/4	N/A	2/2	1/1

THE BOARD (Continued)

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all directors and they have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

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

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

Company Secretary

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. She advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affair. She was appointed by the Board in 2006. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

During the year, the company secretary complied with Rule 3.29 of the Listing Rules and has taken more than 15 hours of relevant professional training.

DELEGATION OF MANAGEMENT FUNCTIONS

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

The Board reserves for its decisions all major matters of the Company, including: objectives and overall strategies of the Company; annual budgets and financial matters; internal control and risk management systems; equity related transactions such as issue of shares/options, repurchase of shares, dividend, raising of capital loan; determination of major business strategy; merger and acquisition; disposal of business unit; major investment; annual financial budget in revenue, profitability and capital expenditure; review and approval of financial performance and announcement; and matters as required by laws and regulations.

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

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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

DELEGATION OF MANAGEMENT FUNCTIONS (Continued)

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

During the year ended 31 December 2015, the Board has three committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the website of the Company (www.asmpacific.com) and Hong Kong Stock Exchange (www.hkex.com.hk) and are available to shareholders upon request.

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

REMUNERATION OF DIRECTORS

The Company has established a formal and transparent procedure for formulating policies on remuneration of the executive directors of the Company. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2015 are set out on page 105 in note 15 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee has five members as at 31 December 2015. Miss Orasa Livasiri, independent non-executive director, is the Chairman. One executive director, Mr. Arthur H. del Prado; one non-executive director, Mr. Charles Dean del Prado, and two independent non-executive directors, Mr. Lok Kam Chong, John and Mr. Tang Koon Hung, Eric, are the other four members of the Remuneration Committee.

The primary functions of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

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

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

REMUNERATION OF DIRECTORS (Continued)

Remuneration Committee (Continued)

The main duties of Remuneration Committee are as follow:

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

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

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

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

- To make recommendations to the Board on the remuneration of non-executive directors.

- To consider salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the ASMPT group.

The Remuneration Committee held two meetings during the year ended 31 December 2015 and the attendance records are set out under “Directors’ attendance records” on page 48.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company and the remuneration packages of the executive directors and senior management for the year under review.

The Remuneration Committee has also consulted the Chairman and/or the Chief Executive Officer of the Company about their recommendations on remuneration policy and packages of the executive directors and senior management.

Details of the remuneration of each director for the year ended 31 December 2015 are set out in note 15 to the consolidated financial statements.

Details of the annual remuneration of members of the senior management (excluding Executive Directors) by band for the year ended 31 December 2015 is as follows:

	Number of employees
HK$6,500,001 to HK$7,000,000	1

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

ACCOUNTABILITY AND AUDIT

Directors' responsibilities for financial reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

Internal controls

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

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

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

The Company has established a whistleblowing procedure and system for employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including two independent non-executive directors who possess the appropriate professional qualifications or accounting or related financial management expertise) and one non-executive director as at 31 December 2015. Mr. Lok Kam Chong, John, independent non-executive director, is the chairman of the Audit Committee. Other members are two independent non-executive directors, Miss Orasa Livasiri and Mr. Tang Koon Hung, Eric and one non-executive director, Mr. Petrus Antonius Maria van Bommel. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

The main duties of the Audit Committee include the following:

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

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

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

In 2015, a total of four meetings of Audit Committee were convened. The attendance record of the Audit Committee's members is shown on page 48. The following is a summary of the tasks completed by the Audit Committee during 2015:

- reviewed the Group's financial reports for the year ended 31 December 2014, for the six months ended 30 June 2015, and for the quarters ended 31 March 2015 and 30 September 2015;

- reviewed the financial reporting system;

- reviewed the effectiveness of internal controls system;

- reviewed risk management system;

- reviewed work plan for 2015 audit and fees budget of the auditor; and

- made recommendations on the re-appointment of the auditor

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

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

Auditor's remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on page 57.

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, amounted to HK$12,092,000 in respect of audit services; HK$1,228,000 in respect of assurance related services and HK$3,192,000 in respect of non-audit services, all of which were reviewed and approved by the Audit Committee.

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

RISK MANAGEMENT

The Board of Directors is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management system. The Board oversees management in the design, implementation and monitoring of the risk management system.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Shareholders Communication Policy

The Company has established a Shareholders Communication Policy to set out the Company's processes to provide shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

All announcements and notices are published on the Stock Exchange's website as well as the Company's own website. In addition, to promote greater understanding and dialogue with the investment community, the Company holds conference calls or investor luncheon meetings with the investment community in connection with the Company's annual, interim and quarterly results. During these conference calls or investor luncheon meetings, the Company's Chief Executive Officer or his delegate will make presentations on the Group's performance to the investment community. The conference calls are also broadcast live via webcast. Apart from this, designated senior executives maintain regular dialogue with institutional investors to keep them abreast of the Group's development, subject to compliance with applicable laws and regulations. Including the four results announcements, over 450 meetings with analysts and fund managers were held in 2015.

Any question regarding the shareholders' communication policy is directed to the Company's Chief Executive Officer.

Shareholders' Meeting

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

The most recent shareholders' meeting was the 2015 annual general meeting held on 11 May 2015 at Room 3-5, United Conference Centre, 10/F United Centre, 95 Queensway, Hong Kong. All the resolutions proposed at that meeting were approved by the shareholders by poll voting. Details of poll results are available under the investor relations section of the Company's website at www.asmpacific.com.

The next annual general meeting will be held on Tuesday, 10 May 2016, the notice of which will be sent to shareholders at least 20 clear business days before the said meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (Continued)

Shareholder Rights

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

All votes of the shareholders at the shareholders' meeting are taken by poll. Poll results are posted on the websites of the Company and of the Stock Exchange following the shareholders' meeting.

Procedure for shareholders to convene an extraordinary general meeting

Pursuant to the Articles of Association of the Company, shareholder(s) holding not less than one-tenth in amount of the issued capital of the Company (hereinafter refer to "the requisitionists") may request for an extraordinary general meeting of the Company to be convened. The requisition must be in writing and signed by the requisitionists, stating the objective of the meeting, and be deposited at the Company's registered office at Cayman Islands or its principal place of business in Hong Kong at 12/F, Watson Centre, 16-22 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

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

Procedures for putting forward proposals at shareholders' meetings

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

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

Details of the procedures for shareholders to propose candidates for election to the Board of Directors are available on the Company's website.

Procedures for putting enquiries to the Board

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

ASM Pacific Technology Ltd.
12/F, Watson Centre,
16-22 Kung Yip Street,
Kwai Chung, Hong Kong
Attn: Investor Relationship Department

Telephone: 852-2424-2021; 852-2619-2529
Fax: 852-2481-3367
Email: investor.relation@asmpt.com

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (Continued)

Procedures for putting enquiries to the Board (Continued)

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

Articles of Association of the Company

There was no change in the Articles of Association of the Company for the year ended 31 December 2015.

On behalf of the Board
Lee Wai Kwong
DIRECTOR
23 February 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of ASM Pacific Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 147, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	7	**12,977,289**	14,229,177
Cost of sales		**(8,261,905)**	(9,179,551)
Gross profit		**4,715,384**	5,049,626
Other income		**42,623**	86,078
Selling and distribution expenses		**(1,275,844)**	(1,161,244)
General and administrative expenses		**(757,602)**	(620,715)
Research and development expenses	9	**(1,185,118)**	(1,148,382)
Other gains and losses	10	**30,394**	112,012
Other expenses	11	**(49,758)**	(168,400)
Finance costs	12	**(156,703)**	(120,512)
Profit before taxation		**1,363,376**	2,028,463
Income tax expense	13	**(410,462)**	(428,509)
Profit for the year	14	**952,914**	1,599,954
Profit for the year attributable to:			
Owners of the Company		**956,191**	1,599,954
Non-controlling interests		**(3,277)**	–
		952,914	1,599,954
Earnings per share	18		
– Basic		**HK$2.38**	HK$3.99
– Diluted		**HK$2.37**	HK$3.98

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Profit for the year		**952,914**	1,599,954
Other comprehensive (expense) income			
– exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss		**(396,034)**	(299,755)
– remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	*35*	**11,689**	(52,820)
Other comprehensive expense for the year		**(384,345)**	(352,575)
Total comprehensive income for the year		**568,569**	1,247,379
Total comprehensive income for the year attributable to:			
Owners of the Company		**571,845**	1,247,379
Non-controlling interests		**(3,276)**	–
		568,569	1,247,379

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	19	**2,218,161**	2,073,489
Investment property	20	**63,048**	68,467
Goodwill	21	**427,754**	405,652
Intangible assets	22	**604,888**	627,338
Prepaid lease payments	24	**22,573**	25,587
Pledged bank deposits	25	**2,562**	506
Deposits paid for acquisition of property, plant and equipment		**13,666**	22,336
Rental deposits paid	27	**24,755**	7,332
Deferred tax assets	36	**289,846**	317,448
Other non-current assets		**106,496**	108,124
		3,773,749	3,656,279
Current assets			
Inventories	26	**3,482,436**	3,886,140
Trade and other receivables	27	**4,304,398**	4,119,540
Prepaid lease payments	24	**822**	941
Derivative financial instruments	28	**2,108**	–
Income tax recoverable		**21,774**	48,296
Pledged bank deposits	25	**7,228**	191,306
Bank deposits with original maturity of more than three months	29	**254,983**	–
Bank balances and cash	29	**2,020,145**	2,593,756
		10,093,894	10,839,979
Current liabilities			
Trade and other payables	30	**2,389,798**	2,918,458
Derivative financial instruments	28	**9,057**	9,297
Provisions	31	**280,733**	354,170
Income tax payable		**415,728**	325,315
Bank borrowings	32	**37,459**	151,379
		3,132,775	3,758,619
Net current assets		**6,961,119**	7,081,360
		10,734,868	10,737,639

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	*33*	**40,453**	40,252
Dividend reserve		**161,812**	523,274
Other reserves		**7,804,254**	7,641,668
Equity attributable to owners of the Company		**8,006,519**	8,205,194
Non-controlling interests		**29,466**	–
Total equity		**8,035,985**	8,205,194
Non-current liabilities			
Convertible bonds	*37*	**2,264,775**	2,164,204
Retirement benefit obligations	*35*	**127,833**	150,147
Provisions	*31*	**65,459**	61,360
Bank borrowings	*32*	**141,441**	16,159
Deferred tax liabilities	*36*	**61,622**	95,870
Other liabilities and accruals	*30*	**37,753**	44,705
		2,698,883	2,532,445
		10,734,868	10,737,639

The consolidated financial statements on pages 58 to 147 were approved and authorized for issue by the Board of Directors on 23 February 2016 and are signed on its behalf by:

Lee Wai Kwong
DIRECTOR

Robin Gerard Ng Cher Tat
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000 *(Note 34)*	Capital redemption reserve HK$'000	Capital reserve HK$'000	Convertible bonds equity reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	40,063	944,723	–	–	155	72,979	–	55,084	5,767,944	200,317	7,081,265	–	7,081,265
Profit for the year	–	–	–	–	–	–	–	–	1,599,954	–	1,599,954	–	1,599,954
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	–	(299,755)	–	–	(299,755)	–	(299,755)
Remeasurement of defined benefit retirement plans, net of tax *(note 35)*, which will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	(52,820)	–	(52,820)	–	(52,820)
Total comprehensive income for the year	–	–	–	–	–	–	–	(299,755)	1,547,134	–	1,247,379	–	1,247,379
Sub-total	40,063	944,723	–	–	155	72,979	–	(244,671)	7,315,078	200,317	8,328,644	–	8,328,644
Recognition of equity-settled share-based payments	–	–	146,300	–	–	–	–	–	–	–	146,300	–	146,300
Purchase of shares under the Employee Share Incentive Scheme ("Scheme")	–	–	–	(15,858)	–	–	–	–	–	–	(15,858)	–	(15,858)
Shares vested under the Scheme	–	–	(15,858)	15,858	–	–	–	–	–	–	–	–	–
Shares issued under the Scheme	189	130,253	(130,442)	–	–	–	–	–	–	–	–	–	–
Recognition of equity component of convertible bonds *(note 37)*	–	–	–	–	–	–	266,932	–	–	–	266,932	–	266,932
2013 final dividend paid	–	–	–	–	–	–	–	–	–	(200,317)	(200,317)	–	(200,317)
2014 interim dividend paid	–	–	–	–	–	–	–	–	(320,507)	–	(320,507)	–	(320,507)
2014 final dividend proposed	–	–	–	–	–	–	–	–	(523,274)	523,274	–	–	–
At 31 December 2014 and 1 January 2015	40,252	1,074,976	–	–	155	72,979	266,932	(244,671)	6,471,297	523,274	8,205,194	–	8,205,194
Profit for the year	–	–	–	–	–	–	–	–	956,191	–	956,191	(3,277)	952,914
Exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	–	–	–	–	–	–	–	(396,035)	–	–	(396,035)	1	(396,034)
Remeasurement of defined benefit retirement plans, net of tax *(note 35)*, which will not be reclassified to profit or loss	–	–	–	–	–	–	–	–	11,689	–	11,689	–	11,689
Total comprehensive income for the year	–	–	–	–	–	–	–	(396,035)	967,880	–	571,845	(3,276)	568,569
Sub-total	40,252	1,074,976	–	–	155	72,979	266,932	(640,706)	7,439,177	523,274	8,777,039	(3,276)	8,773,763
Acquisition of business *(note 38)*	–	–	–	–	–	–	–	–	–	–	–	32,742	32,742
Recognition of equity-settled share-based payments	–	–	178,617	–	–	–	–	–	–	–	178,617	–	178,617
Purchase of shares under the Scheme	–	–	–	(23,344)	–	–	–	–	–	–	(23,344)	–	(23,344)
Shares vested under the Scheme	–	–	(24,674)	23,344	–	–	–	–	1,330	–	–	–	–
Shares issued under the Scheme	201	153,742	(153,943)	–	–	–	–	–	–	–	–	–	–
2014 final dividend paid	–	–	–	–	–	–	–	–	–	(523,274)	(523,274)	–	(523,274)
2015 interim dividend paid	–	–	–	–	–	–	–	–	(402,519)	–	(402,519)	–	(402,519)
2015 final dividend proposed	–	–	–	–	–	–	–	–	(161,812)	161,812	–	–	–
At 31 December 2015	40,453	1,228,718	–	–	155	72,979	266,932	(640,706)	6,876,176	161,812	8,006,519	29,466	8,035,985

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Operating activities		
Profit before taxation	**1,363,376**	2,028,463
Adjustments for:		
Depreciation	**378,634**	386,788
Release of prepaid lease payments	**822**	941
Amortization of intangible assets	**40,327**	27,909
Release of land license fee	**–**	2,216
(Gain) loss on disposal/write-off of property, plant and equipment	**(4,363)**	1,169
Loss on fair value change of derivative financial instruments	**915**	15,781
Warranty provision expenses	**227,161**	248,147
Other expenses	**49,758**	168,400
Share-based payments under the Scheme	**178,617**	146,300
Interest income	**(6,210)**	(8,794)
Interest expense	**156,703**	120,512
Effect of foreign exchange rate changes on inter-company balances	**(34,285)**	(73,988)
Operating cash flows before movements in working capital	**2,351,455**	3,063,844
Increase in pledged bank deposits	**(6,321)**	(3,472)
Decrease (increase) in inventories	**253,651**	(533,820)
Increase in trade and other receivables	**(305,541)**	(818,486)
Increase in other non-current assets	**(2,539)**	(3,321)
(Decrease) increase in trade and other payables	**(459,484)**	401,625
(Decrease) increase in other liabilities and accruals	**(3,012)**	4,093
(Decrease) increase in provisions	**(6,037)**	7,298
Utilization of warranty provision	**(259,799)**	(217,566)
Payment for restructuring provision	**(51,196)**	(42,324)
Increase (decrease) in retirement benefit obligations	**10,629**	(1,915)
Purchase of shares under the Scheme	**(23,344)**	(15,858)
Cash generated from operations	**1,498,462**	1,840,098
Income taxes paid	**(319,841)**	(410,564)
Income taxes refunded	**7,755**	55,531
Net cash from operating activities	**1,186,376**	1,485,065

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

For the year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
Investing activities		
Interest received	**6,210**	8,794
Proceeds on disposal of property, plant and equipment	**14,138**	25,116
Net cash outflow arising on acquisitions of subsidiaries or business	**(55,041)**	(1,333,294)
Purchase of property, plant and equipment	**(528,723)**	(313,663)
Deposits paid for acquisition of property, plant and equipment	**(13,666)**	(22,336)
Prepayment for land license fee	**–**	(26,658)
Additions of intangible assets	**(18,889)**	(4,333)
Placement of bank deposits with original maturity of more than three months	**(258,938)**	–
Structured deposits placed	**(94,648)**	–
Withdrawal of structured deposits	**94,648**	–
Withdrawal of pledged bank deposit	**188,340**	–
Net cash used in investing activities	**(666,569)**	(1,666,374)
Financing activities		
Bank borrowings raised	**240,268**	256,174
Repayment of bank borrowings	**(228,791)**	(784,801)
Dividends paid	**(925,793)**	(520,824)
Interest paid	**(55,956)**	(36,420)
Proceeds from issue of convertible bonds	**–**	2,400,000
Payment for transaction costs attributable to issue of convertible bonds	**–**	(39,801)
Net cash (used in) from financing activities	**(970,272)**	1,274,328
Net (decrease) increase in cash and cash equivalents	**(450,465)**	1,093,019
Cash and cash equivalents at beginning of the year	**2,593,756**	1,596,592
Effect of foreign exchange rate changes	**(123,146)**	(95,855)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**2,020,145**	2,593,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company is an exempted company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are engaged in the design, manufacture and marketing of machines, tools and materials used in semiconductor and electronic assembly industries. The principal subsidiaries and their activities are set out in note 43.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognized financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 "*Business Combinations*". Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 "*Income Taxes*" regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 "*Impairment of Assets*" regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKAS 1 "Disclosure Initiative"

The amendments to HKAS 1 "*Presentation of Financial Statements*" give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognized in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The amendments to HKAS 16 "*Property, Plant and Equipment*" prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 "*Intangible Assets*" introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments to HKFRS 10 "*Consolidated Financial Statements*" and HKAS 28 "*Investments in Associates and Joint Ventures*" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains or losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment Entities: Applying the Consolidation Exception"

The amendments to HKFRS 10 "*Consolidated Financial Statements*", HKFRS 12 "*Disclosure of Interests in Other Entities*" and HKAS 28 "*Investments in Associates and Joint Ventures*" clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarized below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held-for-distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognized in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*", respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognized in profit or loss.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowances and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortization of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment property

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

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognized.

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Derecognition of intangible assets

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

Research and development expenditure

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of back-end equipment and lead frame is calculated using the first-in, first-out method. Cost of surface mount technology equipment is calculated using either on a first-in, first-out or weighted average method, depending on the type of inventory. Net realizable value represent the estimated selling price for inventories less all estimate costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

Restructurings

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

Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rentals income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other non-current assets, pledged bank deposits, trade and other receivables, bank deposits with original maturity of more than three months and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

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

Equity instruments

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

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

Other financial liabilities

The Group's other financial liabilities, including trade and other payables, bank borrowings and other liabilities, are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds

The components parts of the convertible bonds issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*"; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

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

Share-based payment arrangements

Equity-settled share-based payment transactions

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

The fair value determined at the grant date of shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

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

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

Any payment made to the employee on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, i.e. as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognized as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements (Continued)

Award shares held under Share Award Scheme granted to members of the management of the Group for their services to the Group

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

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

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

A liability for a termination benefit is recognized at the earlier of when the group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. As at 31 December 2015, the carrying amount of inventories was HK$3,482,436,000 (2014: HK$3,886,140,000). The management reviews the inventory age listing on a periodic basis to identify slow-moving, obsolete and defective inventories. The management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. The amount of allowance would be changed as a result of changes in current market conditions and technology subsequently.

Estimated impairment of trade receivables

On assessing any impairment of the Group's trade receivables, the management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Impairment on trade receivables is made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 31 December 2015, the carrying amount of trade receivables was HK$3,628,676,000 (2014: HK$3,385,276,000).

Retirement benefit obligations

Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected rate of compensation increase and pension progression and mortality rates. The discount rates assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in retirement benefit obligations. During the year ended 31 December 2015, net remeasurement gains before tax effect amounting to HK$17,324,000 (2014: net remeasurement losses before tax effect amounting to HK$78,751,000) are recognized directly in equity in the period in which they occur (see note 35).

Provisions

Significant estimates are involved in the determination of provision related to warranty costs and legal proceedings. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty service will result an outflow of resources and whether the amount of the obligation can be reliably estimated. As at 31 December 2015, the Group recognized warranty provisions amounting to HK$333,292,000 (2014: HK$393,352,000) (see note 31).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Income taxes

The Group operates and is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There were certain trading transactions for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues and tax-related expense, if any, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of taxpayers and local tax authorities. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each year-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future development are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a reversal of deferred tax assets may arise which would be recognized in profit or loss for the period in which such reversal takes place. As at 31 December 2015, the deferred tax assets recognized is HK$289,846,000 (2014: HK$317,448,000) (see note 36).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as at 31 December 2015 was HK$427,754,000 (2014: HK$405,652,000). Details of the recoverable amount calculations are set out in note 23.

Impairment of intangible assets

In accounting for intangible assets, management of the Group considers the potential impairment based on the fair value of the assets and the cash flows generated. The intangible assets with finite useful lives are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable; the intangible asset with an indefinite useful life are measured annually, irrespective of whether there is any indication that it may be impaired. Factors that would indicate potential impairment may include, but are not limited to, the significant change in technology, and operating or cash flow losses associated with the intangible assets.

If cash flows do not materialize as estimated, there is a risk that further impairment charges may be necessary in future. The carrying amount of intangible assets as at 31 December 2015 was HK$604,888,000 (2014: HK$627,338,000). Details of the impairment testing on intangible assets with an indefinite useful life are set out in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 6 and 20 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings, convertible bonds and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**5,992,527**	6,273,238
Derivative financial instruments	**2,108**	–
Financial liabilities		
Amortized cost	**3,959,506**	4,319,897
Derivative financial instruments	**9,057**	9,297

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's financial instruments include other non-current assets, pledged bank deposits, bank deposits with original maturity of more than three months, bank balances and cash, trade and other receivables, derivative financial instruments, trade and other payables, other liabilities, convertible bonds and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 41% and 45% of the Group's sales and purchases respectively are denominated in currencies other than the functional currency of the group entities making the sales and the purchases.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

		Assets		Liabilities	
	Currency	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
US dollar *(Note)*	US$	**1,614,507**	1,535,215	**45,767**	216,691
Euro	EUR	**315,999**	337,064	**21,698**	43,142
Renminbi	RMB	**147,818**	246,605	**286,335**	400,509
Singapore dollar	S$	**80,608**	33,724	**104,615**	118,425
Japanese Yen	JPY	**1,482**	4,868	**82,775**	132,841
Others		**51,260**	33,548	**112,841**	197,955

Note: Included in the balances are US dollar financial assets and financial liabilities of HK$458,882,000 and HK$25,003,000 (2014: HK$718,052,000 and HK$41,653,000), respectively where Hong Kong dollars is not the functional currency of the relevant group entities.

The majority of the Group's foreign currency financial assets and financial liabilities are denominated in US dollar. The US dollar is linked up with Hong Kong dollars where Hong Kong dollars is the functional currency of the relevant group entities. For other group entities having significant US dollar financial assets and financial liabilities where Hong Kong dollars is not the functional currency, they have exposure to the foreign currency exchange risk. The management conducts periodic review of the exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed currency risk related to Euro, US dollar, Renminbi, Japanese Yen and Singapore dollar.

A subsidiary of the Company entered into several foreign currency forward contracts to manage its exposure to exchange rate fluctuations of the US dollar denominated receivables and bank deposits against its functional currency, Euro (see note 28).

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of the group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The analysis illustrates the impact for a 5% strengthening of the functional currency of the relevant group entities against the relevant currency and a positive and negative number below indicates an increase and a decrease in profit respectively. For a 5% weakening of the functional currency of the relevant group entities against the relevant currency, there would be an equal and opposite impact on the profit.

	Euro impact (i)		US dollar impact (ii)		Renminbi impact (iii)		Japanese Yen impact (iv)		Singapore dollar impact (v)	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Decrease) increase in post tax profit	**(12,211)**	(12,211)	**(15,311)**	(23,693)	**5,247**	5,758	**3,814**	6,040	**973**	3,851

(i) This is mainly attributable to the exposure on outstanding bank balances, trade and other receivables and trade and other payables denominated in Euro at the year end.

(ii) This is mainly attributable to the exposure on outstanding bank balances, trade and other receivables and trade and other payables denominated in US dollar at the year end.

(iii) This is mainly attributable to the exposure on outstanding bank balances, other receivables and trade and other payables denominated in Renminbi at the year end.

(iv) This is mainly attributable to the exposure on outstanding bank balances and trade payables denominated in Japanese Yen at the year end.

(v) This is mainly attributable to the exposure on outstanding bank balances, trade and other receivables and trade and other payables denominated in Singapore dollar at the year end.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (see note 25) and convertible bonds (see note 37). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits/balances (see note 29) and bank borrowings (see note 32). Management will monitor interest rate risk exposure closely. By management's discretion, the Group keeps its borrowings at floating rates and may enter into interest rate swaps to balance the fair value interest rate risk and cash flow interest rate risk exposure of the Group.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's variable-rate bank borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate instruments at the end of the reporting period. The analyses are prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 5 basis points increase is used for bank deposits and 50 basis points increase and decrease for bank borrowings when reporting interest rate risk internally to key management personnel. If interest rates had been 5 basis points and 50 basis points higher for bank deposits and bank borrowings or 50 basis points lower for bank borrowings and all other variables were held constant, post-tax profit for the year ended 31 December 2015 would decrease/increase by HK$296,000 (2014: HK$84,000) and HK$743,000 (2014: HK$712,000) respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2015 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to manage the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorized banks in Mainland China with high credit-ratings.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers and across diverse geographical areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both principal and interest cash flows.

At 31 December 2015

	Weighted average effective interest rate* %	On demand HK$'000	Within one year HK$'000	More than one year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	–	280,310	1,210,261	–	1,490,571	1,490,571
Other non-current liabilities	–	–	–	12,570	12,570	12,570
Bank borrowings	1.646	–	39,936	143,580	183,516	178,900
Convertible bonds	6.786	–	48,000	2,424,000	2,472,000	2,277,465
		280,310	1,298,197	2,580,150	4,158,657	3,959,506
Derivatives – net settlement						
Foreign exchange forward contracts	–	–	9,057	–	9,057	9,057

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

At 31 December 2014

	Weighted average effective interest rate* %	On demand HK$'000	Within one year HK$'000	More than one year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities						
Trade and other payables	–	594,000	1,367,584	–	1,961,584	1,961,584
Other non-current liabilities	–	–	–	13,881	13,881	13,881
Bank borrowings	2.638	22,106	131,461	16,196	169,763	167,538
Convertible bonds	6.786	–	48,000	2,472,000	2,520,000	2,176,894
		616,106	1,547,045	2,502,077	4,665,228	4,319,897
Derivatives – net settlement						
Foreign exchange forward contracts	–	–	9,297	–	9,297	9,297

* Weighted average effective interest rate is determined based on the variable interest rates of outstanding bank borrowings at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$22,106,000 (2015: HK$nil). Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that bank borrowings amounting to HK$22,106,000 would be fully repaid within 4 months after the reporting date, in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to HK$22,313,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets and financial liabilities	Fair value as at 2015	Fair value as at 2014	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts classified as derivative instruments on the consolidated statement of financial position (note 28)	**Liability – HK$9,057,000 and Asset – HK$2,108,000**	Liability – HK$9,297,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Contingent consideration in DEK Acquisition (as defined in note 38) (note 38)	**N/A**	Nil	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Probability that DEK Business (note 38) would meet the amount of revenue target was approximate to zero. (Note)	The higher the probability, the higher the fair value.

Note: A slight increase in the probability that DEK Business would meet the amount of revenue target would result in a significant increase in the fair value measurement of the contingent consideration, and vice versa.

There were no transfers between Level 1 and 2 in both years.

The fair values of the financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors consider that the carrying amounts of the other financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the amounts received or receivable for goods sold to customers during the year, less returns, rebates, other similar allowances and sales related taxes.

8. SEGMENT INFORMATION

The Group has three (2014: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company's Chief Executive Officer, the chief operating decision maker ("CODM"), for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2014: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

Segment revenues and results

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

	2015 HK$'000	2014 HK$'000
Segment revenue from external customers		
Back-end equipment	**5,870,364**	6,803,776
Surface mount technology solutions	**5,392,167**	5,523,883
Materials	**1,714,758**	1,901,518
	12,977,289	14,229,177
Segment profit		
Back-end equipment	**702,098**	1,372,634
Surface mount technology solutions	**751,187**	730,891
Materials	**141,282**	174,053
	1,594,567	2,277,578
Interest income	**6,210**	8,794
Finance costs	**(156,703)**	(120,512)
Unallocated other income	**215**	269
Unallocated net foreign exchange gain	**26,031**	86,093
Unallocated general and administrative expenses	**(57,186)**	(55,359)
Other expenses	**(49,758)**	(168,400)
Profit before taxation	**1,363,376**	2,028,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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 gain, unallocated general and administrative expenses and other expenses.

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

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

2015

	Back-end equipment HK$'000	Surface mount technology solutions HK$'000	Materials HK$'000	Unallocated general and administrative expenses HK$'000	Consolidated HK$'000
Amounts regularly provided to CODM:					
Additions of property, plant and equipment					
– Additions during the year	310,816	96,382	138,497	–	545,695
– Arising from acquisition of business	–	–	85,471	–	85,471
Additions of intangible assets					
– Additions during the year	–	18,889	–	–	18,889
Amounts included in the measure of segment profit:					
Amortization for intangible assets	1,278	39,049	–	–	40,327
Depreciation of property, plant and equipment	219,928	91,268	66,016	–	377,212
Depreciation of investment property	1,422	–	–	–	1,422
(Gain) loss on disposal/write-off of property, plant and equipment	(2,489)	(2,639)	765	–	(4,363)
Release of prepaid lease payments	598	–	224	–	822
Research and development expenses	681,599	495,308	8,211	–	1,185,118
Share-based payments	138,138	15,093	12,134	13,252	178,617

8. SEGMENT INFORMATION (Continued)

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

2014

	Back-end equipment HK$'000	Surface mount technology solutions HK$'000	Materials HK$'000	Unallocated general and administrative expenses HK$'000	Consolidated HK$'000
Amounts regularly provided to CODM:					
Additions of property, plant and equipment					
– Additions during the year	249,901	114,062	49,143	–	413,106
– Arising from acquisitions of subsidiaries	2,085	105,406	–	–	107,491
Additions of intangible assets					
– Additions during the year	–	4,333	–	–	4,333
– Arising from acquisitions of subsidiaries	6,985	635,627	–	–	642,612
Amounts included in the measure of segment profit:					
Amortization for intangible assets	1,171	26,738	–	–	27,909
Depreciation of property, plant and equipment	237,349	70,919	77,010	–	385,278
Depreciation of investment property	1,510	–	–	–	1,510
(Gain) loss on disposal/write-off of property, plant and equipment	(325)	767	727	–	1,169
Release of prepaid lease payments	691	–	250	–	941
Research and development expenses	632,526	507,427	8,429	–	1,148,382
Share-based payments	112,191	11,162	11,262	11,685	146,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

8. 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	
	2015	2014
	HK$'000	HK$'000
Mainland China	**1,382,376**	1,554,238
Europe	**811,887**	843,731
– Switzerland	**585,220**	618,996
– Germany	**150,486**	140,711
– United Kingdom	**60,857**	67,339
– Others	**15,324**	16,685
Singapore	**609,567**	285,774
Malaysia	**171,989**	192,158
Hong Kong	**61,416**	42,750
Americas	**7,187**	5,374
– United States of America	**5,587**	4,974
– Others	**1,600**	400
Korea	**6,660**	5,468
Others	**2,505**	3,180
	3,053,587	2,932,673

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

8. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	Revenue from external customers 2015 HK$'000	2014 HK$'000
Mainland China	**5,163,129**	6,126,950
Europe	**2,250,910**	2,103,924
– Germany	**753,629**	852,601
– Romania	**207,708**	90,141
– Hungary	**166,366**	162,655
– France	**120,699**	93,585
– United Kingdom	**115,676**	105,202
– Others	**886,832**	799,740
Hong Kong	**1,087,989**	689,814
Americas	**930,027**	1,153,022
– United States of America	**638,503**	763,056
– Mexico	**139,552**	207,248
– Others	**151,972**	182,718
Malaysia	**887,723**	1,197,632
Japan	**555,991**	197,151
Taiwan	**546,099**	1,174,800
Thailand	**434,106**	471,227
Korea	**396,849**	392,021
Philippines	**382,035**	393,154
Singapore	**141,963**	161,352
Others	**200,468**	168,130
	12,977,289	14,229,177

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

9. RESEARCH AND DEVELOPMENT EXPENSES

Included in research and development expenses are depreciation for property, plant and equipment of HK$29,829,000 (2014: HK$31,944,000), rental of land and buildings under operating leases of HK$26,232,000 (2014: HK$25,222,000) and staff costs of HK$822,263,000 (2014: HK$759,853,000) for the year ended 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

10. OTHER GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
The gains and losses comprise:		
Net foreign exchange gains	**52,182**	118,206
Gain (loss) on disposal/write-off of property, plant and equipment	**4,363**	(1,169)
Loss on fair value change of derivative financial instruments	**(26,151)**	(32,113)
Reversal of legal provision *(Note)*	**–**	26,372
Others	**–**	716
	30,394	112,012

Note: During the year ended 31 December 2014, a legal provision of HK$26,372,000 was reversed as it became highly unlikely that there was still a risk arising from the alleged claims of a supplier for which the legal provision was made.

11. OTHER EXPENSES

	2015 HK$'000	2014 HK$'000
Restructuring costs *(Note a)*	**49,758**	–
Provision for tax-related expense *(Note b)*	**–**	168,400
	49,758	168,400

Notes:

(a) During the year ended 31 December 2015, the Group launched a voluntary separation incentive programme for its employees in the manufacturing plant in China for cost reduction and streamlining its manufacturing operations for the surface mount technology solutions business. Accordingly, severance payments of HK$49,758,000 are charged to profit or loss for the year and recorded as restructuring costs.

(b) As detailed in note 13, the Group continued to receive letters from the Hong Kong Inland Revenue Department ("HKIRD") seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax-related expenses and a provision for tax-related expenses had been charged to profit or loss during the year ended 31 December 2014 accordingly.

12. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on convertible bonds *(note 37)*	**148,571**	107,826
Interest on bank borrowings	**3,291**	8,867
Others	**4,841**	3,819
Total finance costs	**156,703**	120,512

13. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	**39,594**	43,731
PRC Enterprise Income Tax	**64,672**	81,838
Other jurisdictions	**339,192**	294,435
	443,458	420,004
(Over)under provision in prior years:		
Hong Kong	**362**	34,295
PRC Enterprise Income Tax	**78**	248
Other jurisdictions	**(5,998)**	3,445
	(5,558)	37,988
Deferred tax credit *(note 36)*		
Current year	**(27,438)**	(29,483)
	410,462	428,509

13. INCOME TAX EXPENSE (Continued)

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

(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 new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods. EDB also granted a 5-year Development and Expansion Incentive ("DEI") to ATS to the effect that profits arising from certain existing products are subject to tax at a concessionary tax rate of 10% for a period of 5 years from 1 January 2011, subject to the fulfillment of certain criteria during the relevant period.

On the same date, 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 abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (2014: 17%).

(d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (2014: 15.00%) plus 5.50% (2014: 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 11.550% to 17.015% (2014: 10.500% to 17.000%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 27.375% and 32.840% (2014: between 26.325% and 32.825%).

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

13. INCOME TAX EXPENSE (Continued)

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

	2015 HK$'000	2014 HK$'000
Profit before taxation	**1,363,376**	2,028,463
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**224,957**	334,696
Tax effect of expenses not deductible in determining taxable profit	**60,374**	75,222
Tax effect of income not taxable in determining taxable profit	**(3,879)**	(6,461)
Tax effect of tax losses not recognized	**24,690**	18,207
Tax effect of utilization of tax losses/temporary difference previously not recognized	**(9,235)**	(57,068)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**172,354**	154,126
Effect of tax exemption and concessions for ATC under ATSE and ATS under PC, DEI and IHA granted by EDB	**(47,929)**	(119,456)
(Over)underprovision in prior years	**(5,558)**	37,988
Others	**(5,312)**	(8,745)
Tax charge for the year	**410,462**	428,509

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

The Group continued to receive letters from the HKIRD during the year ended 31 December 2015 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax being charged on profits from some overseas subsidiaries that have not previously been included in the scope of charge for Hong Kong Profits Tax or tax adjustments to companies currently subject to Hong Kong Profits Tax. As at 31 December 2015, the Group purchased tax reserve certificates amounting to HK$346,029,000 (2014: HK$323,829,000), as disclosed in note 27.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

14. PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Minimum lease payments under operating leases		
– Land and buildings	**186,846**	219,835
– Motor vehicles and others	**19,746**	13,046
	206,592	232,881
Directors' remunerations *(note 15)*	**34,156**	30,658
Salaries, wages, bonus and other benefits	**3,442,523**	3,576,308
Pension costs, excluding directors	**220,691**	204,191
Share-based payments under the Scheme	**161,081**	130,442
Total staff costs	**3,858,451**	3,941,599
Auditors' remuneration		
– Deloitte Touche Tohmatsu network member firms	**12,092**	12,247
– Other auditors	**693**	778
	12,785	13,025
Depreciation for property, plant and equipment	**377,212**	385,278
Depreciation for investment property	**1,422**	1,510
Amortization for intangible assets		
– Included in selling and distribution expenses	**15,508**	10,392
– Included in cost of sales	**24,819**	17,517
Release of prepaid lease payments	**822**	941
Release of land license fee	**–**	2,216
	419,783	417,854
Government grants *(Note)*	**(32,433)**	(55,559)
Interest income on bank deposits	**(6,210)**	(8,794)

Note: Government grants for the year ended 31 December 2015 included amounts of HK$24,746,000 (2014: HK$52,403,000) and HK$2,535,000 (2014: HK$nil) which are government subsidies received from local authorities in the PRC relating to import of high technology products and expenditures incurred for relocation of a factory due to the local authorities' redevelopment plans for the Yantian District of Shenzhen.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Year ended 31 December 2015										
	Executive Director and chief executive *(Note a)*	Executive Directors *(Note a)*			Non-Executive Directors *(Note c)*		Independent Non-executive Directors *(Note d)*				
	Lee Wai Kwong HK$'000 *(Note b)*	Chow Chuen, James HK$'000	Robin Gerard Ng Cher Tat HK$'000	Arthur H. del Prado HK$'000	Charles Dean del Prado HK$'000	Petrus Antonius Maria van Bommel HK$'000	Orasa Livasiri HK$'000	Lok Kam Chong, John HK$'000	Wong Hon Yee HK$'000	Tang Koon Hung, Eric HK$'000	Total HK$'000
Fees	–	–	–	450	350	300	450	450	300	350	2,650
Other emoluments											
Salaries and other benefits	14,053	8,395	4,978	–	–	–	–	–	–	–	27,426
Contributions to retirement benefits schemes	71	342	131	–	–	–	–	–	–	–	544
Performance related incentive bonus payments *(Note e)*	1,733	1,200	603	–	–	–	–	–	–	–	3,536
Total emoluments	15,857	9,937	5,712	450	350	300	450	450	300	350	34,156

	Year ended 31 December 2014										
	Executive Director and chief executive *(Note a)*	Executive Directors *(Note a)*			Non-Executive Directors *(Note c)*		Independent Non-executive Directors *(Note d)*				
	Lee Wai Kwong HK$'000 *(Note b)*	Chow Chuen, James HK$'000	Robin Gerard Ng Cher Tat HK$'000	Arthur H. del Prado HK$'000	Charles Dean del Prado HK$'000	Petrus Antonius Maria van Bommel HK$'000	Orasa Livasiri HK$'000	Lok Kam Chong, John HK$'000	Wong Hon Yee HK$'000	Tang Koon Hung, Eric HK$'000	Total HK$'000
Fees	–	–	–	450	350	300	450	450	300	384	2,684
Other emoluments											
Salaries and other benefits	13,357	8,008	4,255	–	–	–	–	–	–	–	25,620
Contributions to retirement benefits schemes	158	329	121	–	–	–	–	–	–	–	608
Performance related incentive bonus payments *(Note e)*	862	733	151	–	–	–	–	–	–	–	1,746
Total emoluments	14,377	9,070	4,527	450	350	300	450	450	300	384	30,658

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

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

(b) Mr. Lee Wai Kwong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

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

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

During the year ended 31 December 2015, 221,700 Award Shares (as defined in Note 34) were granted to certain executive directors in respect of their services to the Group under the Scheme. The fair value of these shares purchased during the year amounting to HK$17,536,000 was determined with reference to the market value of the shares at the grant date, was included in salaries and other benefits above. The market value for these Award Shares as at their vesting date was amounted to HK$12,659,000, which was calculated with reference to the closest trading price of the Company's share of HK$57.1 per share. For details regarding the Award Shares, please refer to note 34.

During the year ended 31 December 2014, 211,100 Award Shares were granted to certain executive directors under the Scheme. The fair value of these shares purchased during the year amounting to HK$15,858,000 was determined with reference to the cost of purchase from the market including transaction costs, which is not significantly different from the fair value at the grant date. Such fair value was included in salaries and other benefits above. The market value for these Award Shares as at their vesting date was amounted to HK$15,790,000, which was calculated with reference to the closest trading price of the Company's share of HK$74.80 per share.

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

16. FIVE HIGHEST PAID EMPLOYEES

During the year ended 31 December 2015, the five highest paid employees of the Group included three (2014: three) directors, details of whose emoluments are set out in note 15. The emoluments of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and other benefits	**9,715**	8,968
Contributions to retirement benefits schemes	**468**	538
Performance related incentive bonus payments	**1,577**	764
	11,760	10,270

For the year ended 31 December 2015, 60,000 shares (2014: 54,600 shares) of the Company were granted and vested to the two (2014: two) relevant highest paid employees in respect of their services to the Group under the Scheme. Details of the Scheme are set out in note 34 to the Group's consolidated financial statements. The fair value of these shares amounting to HK$4,707,000 (2014: HK$3,778,320) at the grant date was included in salaries and other benefits above for the year ended 31 December 2015.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees 2015	 2014
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

17. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Dividend recognized as distribution during the year		
Interim dividend paid for 2015 of HK$1.00 (2014: HK$0.80) per share on 402,518,700 (2014: 400,633,700) shares	**402,519**	320,507
Final dividend paid for 2014 of HK$1.30 (2014: final dividend paid for 2013 of HK$0.50) per share on 402,518,700 (2014: 400,633,700) shares	**523,274**	200,317
	925,793	520,824

Subsequent to the end of the reporting period, a final dividend of HK$0.40 (2014: final dividend of HK$1.30) per share in respect of the year ended 31 December 2015 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	2015 HK$'000	2014 HK$'000
Dividend proposed subsequent to the end of the reporting period		
Proposed final dividend for 2015 of HK$0.40 (2014: HK$1.30) per share on 404,529,500 (2014: 402,518,700) shares	**161,812**	523,274

18. EARNINGS PER SHARE

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

	2015 HK$'000	2014 HK$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**956,191**	1,599,954

	Number of shares (in thousands)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**402,492**	400,566
Effect of dilutive potential shares from the Scheme	**1,646**	1,556
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**404,138**	402,122

Note: The computation of diluted earnings per share for both years did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in earnings per share.

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong HK$'000	Buildings outside Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2014	–	804,970	643,402	3,420,378	37,475	3,979	4,910,204
Currency realignment	(281)	(9,449)	187	(41,349)	(879)	(4)	(51,775)
Acquisitions of subsidiaries *(note 38)*	16,511	19,944	9,703	50,150	11,183	–	107,491
Additions	–	1,219	108,166	255,989	7,164	40,568	413,106
Disposals	–	–	(2,701)	(81,594)	(178)	–	(84,473)
Write-off	–	–	(111,021)	(21,443)	(1,793)	–	(134,257)
Transfer	–	24,003	–	–	–	(24,003)	–
At 31 December 2014	16,230	840,687	647,736	3,582,131	52,972	20,540	5,160,296
Currency realignment	(172)	(50,076)	(8,817)	(135,599)	(1,307)	9	(195,962)
Acquisition of business *(note 38)*	–	–	8,501	76,970	–	–	85,471
Additions	–	–	61,514	245,214	5,368	233,599	545,695
Disposals	–	–	(382)	(52,440)	(1,335)	–	(54,157)
Write-off	–	–	(6,605)	(44,082)	(1,409)	–	(52,096)
Transfer	–	3,444	–	–	–	(3,444)	–
At 31 December 2015	16,058	794,055	701,947	3,672,194	54,289	250,704	5,489,247
DEPRECIATION AND IMPAIRMENT							
At 1 January 2014	–	225,550	518,520	2,140,249	25,085	–	2,909,404
Currency realignment	–	(3,197)	977	(12,943)	(267)	–	(15,430)
Provided for the year	–	26,534	75,406	277,070	6,268	–	385,278
Eliminated on disposals	–	–	(2,687)	(58,836)	(129)	–	(61,652)
Eliminated on write-off	–	–	(110,577)	(18,635)	(1,581)	–	(130,793)
At 31 December 2014	–	248,887	481,639	2,326,905	29,376	–	3,086,807
Currency realignment	–	(11,662)	(6,601)	(77,377)	(815)	–	(96,455)
Provided for the year	–	26,204	63,850	278,737	8,421	–	377,212
Eliminated on disposals	–	–	(382)	(43,553)	(675)	–	(44,610)
Eliminated on write-off	–	–	(6,570)	(44,049)	(1,249)	–	(51,868)
At 31 December 2015	–	263,429	531,936	2,440,663	35,058	–	3,271,086
CARRYING VALUES							
At 31 December 2015	16,058	530,626	170,011	1,231,531	19,231	250,704	2,218,161
At 31 December 2014	16,230	591,800	166,097	1,255,226	23,596	20,540	2,073,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

19. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for freehold land are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% to 4.5%
Leasehold improvements	10% to $33^1/_3$%
Plant and machinery	10% to $33^1/_3$%
Furniture, fixtures and equipment	10% to 20%

As at 31 December 2014 and 2015, the directors are of the opinion that there is neither any indicator of additional impairment nor any indicator that impairment previously recorded should be reversed.

20. INVESTMENT PROPERTY

	HK$'000
COST	
At 1 January 2014	**73,243**
Currency realignment	**(247)**
At 31 December 2014	**72,996**
Currency realignment	**(4,261)**
At 31 December 2015	**68,735**
DEPRECIATION	
At 1 January 2014	**3,028**
Currency realignment	**(9)**
Provided for the year	**1,510**
At 31 December 2014	**4,529**
Currency realignment	**(264)**
Provided for the year	**1,422**
At 31 December 2015	**5,687**
CARRYING VALUES	
At 31 December 2015	**63,048**
At 31 December 2014	**68,467**

20. INVESTMENT PROPERTY (Continued)

The Group's property interests held to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2015 was HK$99,069,000 (2014: HK$114,084,000). The fair value has been arrived at based on a valuation carried out by DTZ Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group with appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the property, the highest and best use of the properties is their current use. Details of the Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3 HK$'000	**Fair value as at 31.12.2015 HK$'000**
Research and development centre located in the PRC	**99,069**	**99,069**

	Level 3 HK$'000	Fair value as at 31.12.2014 HK$'000
Research and development centre located in the PRC	**114,084**	**114,084**

Investment property is depreciated over the lease term of 48 years on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

21. GOODWILL

	HK$'000
COST	
At 1 January 2014	–
Arising on acquisitions of subsidiaries *(note 38)*	405,349
Currency realignment	303
At 31 December 2014	405,652
Arising on acquisition of business *(note 38)*	22,426
Currency realignment	(324)
At 31 December 2015	427,754
IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 31 December 2015	–
CARRYING VALUE	
At 31 December 2015	427,754
At 31 December 2014	405,652

Particulars regarding impairment testing on goodwill are disclosed in note 23.

22. INTANGIBLE ASSETS

	Sales backlog HK$'000	Trade name HK$'000	Technology HK$'000	Customer bases HK$'000	Licenses and similar rights HK$'000	Total HK$'000
COST						
At 1 January 2014	–	–	–	–	41,677	41,677
Currency realignment	2	183	(573)	162	(4,940)	(5,166)
Acquisitions of subsidiaries *(note 38)*	2,635	244,609	178,273	217,095	–	642,612
Additions	–	–	–	–	4,333	4,333
At 31 December 2014	2,637	244,792	177,700	217,257	41,070	683,456
Currency realignment	–	(196)	(137)	(174)	(4,257)	(4,764)
Additions	–	–	–	–	18,889	18,889
Write-off	–	–	–	–	(13)	(13)
At 31 December 2015	2,637	244,596	177,563	217,083	55,689	697,568
AMORTIZATION						
At 1 January 2014	–	–	–	–	32,027	32,027
Currency realignment	–	–	–	–	(3,818)	(3,818)
Charge for the year	2,637	–	9,742	7,757	7,773	27,909
At 31 December 2014	2,637	–	9,742	7,757	35,982	56,118
Currency realignment	–	–	(7)	(6)	(3,739)	(3,752)
Charge for the year	–	–	18,406	15,508	6,413	40,327
Eliminated on write-off	–	–	–	–	(13)	(13)
At 31 December 2015	2,637	–	28,141	23,259	38,643	92,680
CARRYING VALUES						
At 31 December 2015	–	244,596	149,422	193,824	17,046	604,888
At 31 December 2014	–	244,792	167,958	209,500	5,088	627,338

The intangible assets represent sales backlog, trade name, technology, customer bases and licenses and similar rights of softwares for machines used in production.

The trade name is with indefinite useful live and the other intangible assets are amortized on a straight-line basis at below rates per annum:

Sales backlog	100%
Technology	10%
Customer bases	7%
Licenses and similar rights	20% to $33^1/_3$%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trade name with indefinite useful lives set out in notes 21 and 22, respectively, have been allocated to group of cash generating units ("CGUs"), comprising certain subsidiaries in the surface mount technology solutions and materials segments. The carrying amounts of goodwill and trade name as at 31 December 2015 and 2014 allocated to these groups of CGUs are as follows:

	Goodwill		Trade name	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Surface mount technology solutions – Printing business	**405,328**	405,652	**244,596**	244,792
Materials – MIS business *(as defined in note 38)*	**22,426**	–	**–**	–

During the year ended 31 December 2015 and 2014, management of the Group determines that there are no impairments of its CGUs containing goodwill or trade name with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Printing business

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and discount rate of 17% (2014: 16%). The cash flows beyond the five-year period are extrapolated using a steady 2.5% (2014: 2.5%) growth rate. This growth rate is based on the relevant industry growth forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Printing business to exceed the aggregate recoverable amount of Printing business.

MIS business

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and discount rate of 15%. The cash flows beyond the five-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of MIS business to exceed the aggregate recoverable amount of MIS business.

24. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent property interests in leasehold land outside Hong Kong.

Analyzed for reporting purposes as:

	2015 HK$'000	2014 HK$'000
Current	**822**	941
Non-current	**22,573**	25,587
	23,395	26,528

25. PLEDGED BANK DEPOSITS

Pursuant to the Master Sale and Purchase Agreement of the acquisition entered into between Siemens Aktiengesellschaft ("Siemens AG") and the Company (the "MSP Agreement") in connection with the acquisition of the entire equity interest of 13 direct and indirect subsidiaries of Siemens AG ("ASM AS Entities") in 2011 which principal activities are development, production, sale and service of surface mount technology placement machines, the Group provided a bank guarantee to Siemens AG upon completion of the acquisition for the purpose of securing certain obligations of the Group in accordance with the MSP Agreement in an amount of EUR20,000,000. At 31 December 2014, a bank deposit amounting to EUR20,000,000 (equivalent to approximately HK$188,340,000) was pledged for the purpose of securing the bank guarantee. Such pledged bank deposit was released in January 2015. The remaining pledged bank deposits at 31 December 2015 and 2014 mainly represent bank deposits pledged for lease arrangement and performance guarantee for certain subsidiaries.

The pledged bank deposits did not carry interest (2014: at a market rate of 0.1%) per annum for the year ended 31 December 2015.

26. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**746,422**	842,960
Work in progress	**1,833,704**	2,083,966
Finished goods	**902,310**	959,214
	3,482,436	3,886,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

27. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables *(Note a)*	**3,628,676**	3,385,276
Amount recoverable from Siemens AG *(Note b)*	**18,796**	33,001
Value added tax recoverable	**180,234**	214,525
Tax reserve certificate recoverable	**346,029**	323,829
Other receivables, deposits and prepayments	**155,418**	170,241
	4,329,153	4,126,872
Less: Non-current rental deposits paid shown under non-current assets	**(24,755)**	(7,332)
	4,304,398	4,119,540

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

	2015 HK$'000	2014 HK$'000
Not yet due	**2,902,657**	2,751,032
Overdue within 30 days	**367,086**	353,222
Overdue within 31 to 60 days	**130,003**	161,519
Overdue within 61 to 90 days	**90,572**	53,047
Overdue over 90 days	**138,358**	66,456
	3,628,676	3,385,276

Notes:

(a) The amount included notes receivables amounting to HK$841,173,000 (2014: HK$457,333,000).

(b) Pursuant to the MSP Agreement, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify ASM AS Entities from and against any and all taxes imposed to ASM AS Entities relating to any taxable periods beginning before and ending before or after 7 January 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of ASM AS Entities covered under the tax indemnity and is therefore recoverable from Siemens AG. It is due for settlement once the Group pays the related taxes and received the tax demand notes from tax authorities. Amount of HK$11,121,000 was settled in 2015 and the remaining is expected to be settled in 2016.

27. TRADE AND OTHER RECEIVABLES (Continued)

Credit policy:

Payment terms with customers are mainly on credit together with deposits received in advance. Invoices are normally payable within 30 days to 60 days of issuance, except for certain well established customers, where the terms are extended to 3 to 4 months or more. Each customer has a pre-set maximum credit limit.

Included in the Group's trade receivables are amounts totalling HK$726,019,000 (2014: HK$634,244,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, those trade receivables that are past due but not impaired are generally recoverable. The trade and other receivables that are neither past due nor impaired are of good credit quality because of satisfactory repayment history.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets HK$'000	Liabilities HK$'000	Assets HK$'000	Liabilities HK$'000
Foreign currency forward contracts	**2,108**	**9,057**	–	9,297

The foreign currency forward contracts were mainly related to the purchase of Euros and the sale of US dollar at contract rates ranging from US$1.0650 to US$1.1324 (2014: US$1.2365 to US$1.3293) per one Euro with future maturity dates ranging from 21 January 2016 to 23 November 2016 (2014: 22 January 2015 to 19 May 2015) at an aggregate notional amount of US$65,300,000, equivalent to approximately HK$506,088,000 (2014: US$21,600,000, equivalent to approximately HK$167,538,000).

29. BANK DEPOSITS WITH ORIGINAL MATURITY OF MORE THAN THREE MONTHS AND BANK BALANCES AND CASH

Bank balances, current and fixed deposits carry interest at market rates which ranges from 0% to 6.4% (2014: 0% to 3.30%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

30. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables	**954,419**	1,373,839
Amount due to a subsidiary of a shareholder *(Note)*	**9**	–
Accrued salaries and wages	**227,643**	262,946
Other accrued charges	**476,948**	560,069
Deposits received from customers	**380,224**	372,169
Accrual for tax-related expense *(note 11)*	**168,400**	168,400
Payables arising from acquisition of property, plant and equipment	**102,513**	110,284
Other payables	**117,395**	115,456
	2,427,551	2,963,163
Less: Non-current other liabilities and accruals	**(37,753)**	(44,705)
	2,389,798	2,918,458

Note: Balance represents amount due to a subsidiary of a shareholder of the Company, ASM International N.V., which is not yet due, unsecured, non-interest bearing and repayable according to normal trade terms.

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

	2015 HK$'000	2014 HK$'000
Not yet due	**674,109**	779,839
Overdue within 30 days	**155,052**	302,062
Overdue within 31 to 60 days	**60,314**	166,269
Overdue within 61 to 90 days	**34,303**	70,524
Overdue over 90 days	**30,641**	55,145
	954,419	1,373,839

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.

31. PROVISIONS

The Group's provisions are analyzed for reporting purposes as:

	2015 HK$'000	2014 HK$'000
Current	**280,733**	354,170
Non-current	**65,459**	61,360
	346,192	415,530

The Group's provisions mainly comprise warranty provision of HK$333,292,000 (2014: HK$393,352,000) and restructuring provision of HK$3,242,000 (2014: HK$4,970,000). The movement of the warranty provision and restructuring provision are as follows:

	Warranty provision HK$'000	Restructuring provision HK$'000
At 1 January 2014	376,673	47,454
Currency realignment	(19,768)	(160)
Acquisitions of subsidiaries *(note 38)*	5,601	–
Additions	260,883	–
Utilization	(217,566)	(42,324)
Reversal	(12,471)	–
At 31 December 2014	393,352	4,970
Currency realignment	(27,599)	(290)
Additions	227,338	49,758
Utilization	(259,799)	(51,196)
At 31 December 2015	333,292	3,242

The warranty provision represents management's best estimate of the Group's liability under 2-year warranty period for back-end equipment and surface mount technology equipment based on prior experience and industry averages for defective products.

See note 11 for details of the restructuring provision for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

32. BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Carrying amount repayable:		
Within one year *(Note)*	**37,459**	151,379
More than one year, but not exceeding two years	**81,377**	16,159
More than two years, but not more than five years	**60,064**	–
	178,900	167,538
Less: Amounts due within one year shown under current liabilities	**(37,459)**	(151,379)
Amounts shown under non-current liabilities	**141,441**	16,159

Note: The amount included bank loans amounting HK$22,106,000 (2015: HK$nil) at 31 December 2014 that contains a repayment on demand clause.

At 31 December 2015, all bank borrowings bear interest at LIBOR plus a margin per annum, at a weighted average effective interest rate of 1.646% (2014: 2.638%) per annum.

33. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2015 '000	2014 '000	2015 HK$'000	2014 HK$'000
Issued and fully paid:				
At 1 January	**402,518**	400,633	**40,252**	40,063
Shares issued under the Scheme	**2,011**	1,885	**201**	189
At 31 December	**404,529**	402,518	**40,453**	40,252

The authorized share capital of the Company is HK$50 million, comprising 500 million shares of HK$0.10 each, at 31 December 2015 and 2014.

During the year, 2,010,800 (2014: 1,885,000) shares were issued at par to eligible employees and members of management under the Scheme.

34. EMPLOYEE SHARE INCENTIVE SCHEME

The Scheme is for the benefit of the Group's employees and members of management and has a life of 10 years starting from March 1990. On 25 June 1999, at an extraordinary general meeting of the Company, the shareholders approved to extend the period of the Scheme for a further term of 10 years up to 23 March 2010 and allow up to 5% of the issued share capital of the Company from time to time, excluding any shares of the Company subscribed for or purchased pursuant to the Scheme since 23 March 1990, to be subscribed for or purchased pursuant to the Scheme during the extended period.

At the annual general meeting of the Company held on 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to 23 March 2020 and allow up to 7.5% of the issued share capital of the Company from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme during such extended period except that for the period from 24 March 2010 to 23 March 2015, no more than 3.5% of the issued share capital of the Company from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) is to be subscribed for or purchased pursuant to the Scheme.

On 28 March 2012 (the "Adoption Date"), and by virtue of the Scheme, a Share Award Scheme (the "Share Award Scheme") was adopted by the Company to establish a trust to purchase shares of the Company for the benefit of employees and the directors of the Company and its subsidiaries under the Scheme ("Award Shares"). The Share Award Scheme is valid and effective for a period of 8 years commencing from the Adoption Date. Pursuant to the rules of the Share Award Scheme, the Company has appointed a trustee, Law Debenture Trust (Asia) Limited ("Trustee"), to administer the Share Award Scheme and to purchase and hold the Award Shares during the defined qualification period.

On 25 March 2014, and pursuant to the Scheme, the directors resolved to grant and the Company granted a total of 2,137,800 shares in the Company to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. Out of the 2,137,800 shares granted pursuant to the Scheme, 211,100 shares were allocated to be purchased by the Trustee under the Share Award Scheme as Award Shares. The vesting period of such grant, that is, the qualification period, was from 25 March 2014 to 15 December 2014.

On 15 December 2014, out of the 2,137,800 shares granted on 25 March 2014 pursuant to the Scheme, 1,885,000 shares were issued and 41,700 shares were forfeited and unallocated by the Company. 211,100 Award Shares also vested on the same date.

On 26 March 2015 and 15 June 2015, and pursuant to the Scheme, the directors resolved to grant and the Company granted 2,093,100 shares and 266,700 shares in the Company, respectively, to certain employees and members of the management of the Group who shall remain employment within the Group upon expiration of the defined qualification period. Out of the aggregate 2,359,800 shares granted pursuant to the Scheme, 315,000 shares were allocated to be purchased by the Trustee under the Share Award Scheme as Award Shares. The vesting period of such grant, that is, the qualification period, was from 26 March 2015 to 15 December 2015 and 15 June 2015 to 15 December 2015, respectively.

On 15 December 2015, out of the aggregate 2,359,800 shares granted on 26 March 2015 and 15 June 2015 pursuant to the Scheme, 2,010,800 shares were issued and 34,000 shares were forfeited and unallocated by the Company. 315,000 Award Shares also vested on the same date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

34. EMPLOYEE SHARE INCENTIVE SCHEME (Continued)

The fair value of the shares granted pursuant to the Scheme in 2014 and 2015 was determined with reference to market value of the shares at the grant date taking into account the exclusion of the expected dividends as the employees are not entitled to receive dividends paid during the vesting period. The Group recognized share-based payments amounting to HK$178,617,000 (2014: HK$146,300,000) for the year ended 31 December 2015 in relation to the shares granted pursuant to the Scheme in 2015 by the Company, such an amount being determined by the fair value of the shares granted at the grant date.

Movement of the shares granted to employees and members of the management of the Group under the Scheme:

	Number of Shares '000
Outstanding as at 1 January 2014	–
Shares granted on 25 March 2014	2,138
Allocated as Award Shares on 25 March 2014 *(Note)*	(211)
Shares entitlement forfeited on 15 December 2014	(42)
Shares issued on 15 December 2014	(1,885)
Outstanding as at 31 December 2014 and 1 January 2015	–
Shares granted on 26 March 2015	2,093
Shares granted on 15 June 2015	267
Allocated as Award Shares on 26 March 2015 *(Note)*	(93)
Allocated as Award Shares on 15 June 2015 *(Note)*	(222)
Shares entitlement forfeited on 15 December 2015	(34)
Shares issued on 15 December 2015	(2,011)
Outstanding as at 31 December 2015	–

Note: Movement of Award Shares purchased is as follows:

	Number of shares purchased '000	Cost of purchase HK$'000
At 1 January 2014	–	–
Shares purchased from the market during the year	211	15,858
Award Shares vested	(211)	(15,858)
At 31 December 2014 and 1 January 2015	–	–
Shares purchased from the market during the year	315	23,344
Award Shares vested	(315)	(23,344)
At 31 December 2015	–	–

35. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The plans for employees in Hong Kong are registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 12.5% of the employee's basic salary, depending on the length of services with the Group.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs which has been increased from HK$25,000 to HK$30,000 with effective from 1 June 2014 per employee, which contribution is matched by the employees.

The employees of the Group in Mainland China, Singapore and Malaysia are members of state-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions. The assets of the schemes are held separately from those of the Group in funds under the control of trustees, and in the case of Singapore and Malaysia, by the Central Provident Fund Board of Singapore and Employee Provident Fund of Malaysia respectively.

The amount charged to profit or loss of HK$189,122,000 (2014: HK$177,597,000) represents contributions paid or payable to the plans by the Group at rates specified in the rules of the plans less forfeitures of HK$72,000 for the year ended 31 December 2014 (2015: HK$nil) arising from employees leaving the Group prior to completion of qualifying service period.

At 31 December 2015 and 2014, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years.

Defined benefit plans

Certain ASM AS Entities operate funded defined benefits pension scheme for all their qualified employees.

Pension benefits provided by ASM AS Entities are currently organized primarily through defined benefit pension plans which cover virtually all German employees and certain foreign employees of ASM AS Entities.

Furthermore, ASM AS Entities provide other post-employment benefits, which consist of transition payments and death benefits to German employees after retirement. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans under HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2015

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

The plan of ASM AS Entities exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Defined benefit plans determine the entitlements of their beneficiaries. An employee's final benefit entitlement at regular retirement age may be higher than the fixed benefits at the reporting date due to future compensation or benefit increases. The net present value of this ultimate future benefit entitlement for service already rendered is represented by the Defined Benefit Obligation ("DBO"), which is calculated with consideration of future compensation increases by actuaries. The DBO is calculated based on the projected unit credit method and reflects the net present value as of the reporting date of the accumulated pension entitlements of active employees, former employees with vested rights and of retirees and their surviving dependents with consideration of future compensation and pension increases. The most recent actuarial valuation of the DBO plan in Germany was carried out at 31 December 2015 by independent qualified actuaries, Aon Hewitt GmbH, a member of the International Actuarial Association.

In the case of unfunded plans, the recognized pension liability is equal to the DBO adjusted by unrecognized past service cost. In the case of funded plans, the fair value of the plan assets is offset against the benefit obligations. The net amount, after adjusting for the effects of unrecognized past service cost, is recognized as a pension liability or prepaid pension asset.

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2015	2014
Discount rate	**2.40%**	2.40%
Average longevity at retirement age	**63 years**	63 years
Expected rate of compensation increase	**2.25%**	2.25%
Expected rate of pension progression	**1.50%**	1.75%

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans comprise:

	2015 HK$'000	2014 HK$'000
Principal pension benefit plans	**103,817**	127,803
Other post-employment benefit plans	**17,652**	18,505
Other retirement benefit obligations	**6,364**	3,839
	127,833	150,147

Net amount recognized in other comprehensive income (expense) (net of tax) are as follows:

For the year ended 31 December 2015

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Other retirement benefit obligations HK$'000	Total HK$'000
Remeasurement gains (losses)	**17,443**	**(150)**	**31**	**17,324**
Income tax effect	**(5,722)**	**49**	**38**	**(5,635)**
	11,721	**(101)**	**69**	**11,689**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

For the year ended 31 December 2014

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Other retirement benefit obligations HK$'000	Total HK$'000
Remeasurement losses	(76,625)	(2,031)	(95)	(78,751)
Income tax effect	25,363	670	(102)	25,931
	(51,262)	(1,361)	(197)	(52,820)

Principal pension benefit plans

A reconciliation of the funded status of the principal pension benefit plans to the amount recognized in the consolidated statement of financial position at 31 December 2015 and 2014 are as follows:

	2015 HK$'000	2014 HK$'000
Fair value of plan assets	**336,208**	335,772
Total present value of DBO		
Defined benefit obligation (funded)	**(435,600)**	(459,053)
Defined benefit obligation (unfunded)	**(4,425)**	(4,522)
Net liability arising from defined benefit obligation	**(103,817)**	(127,803)

The actuarial valuation showed that market value of the plan assets was HK$336,208,000 (2014: HK$335,772,000) and that the actuarial value of these represented 76% (2014: 72%) of the benefits that had accrued to members.

The following table shows the movements in the present value of the plan assets for the years ended:

	2015 HK$'000	2014 HK$'000
At 1 January	**335,772**	327,746
Currency realignment	**(34,920)**	(39,537)
Interest income	**7,425**	11,248
Return on plan assets (excluding amounts included in net interest expenses)	**10,789**	15,361
Employer contribution	**17,142**	20,954
At 31 December	**336,208**	335,772

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Principal pension benefit plans (Continued)

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	2015 HK$'000	2014 HK$'000
Asset class		
Fixed income and corporate bonds	**214,232**	224,967
Equity securities	**95,147**	93,210
Cash and other assets	**26,829**	17,595
	336,208	335,772

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets.

The actual return on defined benefit plan assets for the year ended 31 December 2015 was a gain of HK$18,214,000 (2014: HK$26,609,000).

The movements in the present value of the DBO for the years ended are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**463,575**	389,083
Currency realignment	**(48,300)**	(48,925)
Current service cost	**22,172**	19,559
Interest cost	**10,045**	12,722
Remeasurement (gains) losses		
Actuarial (gains) losses arising from changes in financial assumptions	**(9,826)**	84,846
Actuarial losses arising from experience adjustments	**3,154**	7,140
Actuarial losses arising from changes in demographic assumptions	**18**	–
Benefits paid	**(813)**	(850)
At 31 December	**440,025**	463,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans

Employees who joined ASM Assembly Systems GmbH & Co. KG ("ASM AS KG"), a subsidiary located in Germany, on or before 30 September 1983, are entitled to transition payments and death benefits. In respect of the transition payments for the first six months after retirement, participants receive the difference between their final compensation and the retirement benefits payable under the corporate pension plan.

The reconciliation of the funded status of the other post-employment benefit plans to the amount recognized in the consolidated statement of financial position are as follows:

	2015 HK$'000	2014 HK$'000
Defined benefit obligation (unfunded)	**17,652**	18,505

The movements in the present value of the defined benefit obligation for the other post-employment benefits for the years ended are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**18,505**	17,782
Currency realignment	**(1,925)**	(2,178)
Current service cost	**535**	526
Interest cost	**387**	569
Remeasurement losses		
Actuarial losses arising from experience adjustments	**68**	380
Actuarial losses arising from changes in demographic assumptions	**82**	–
Actuarial losses arising from changes in financial assumptions	**–**	1,651
Benefits paid	**–**	(225)
At 31 December	**17,652**	18,505

Significant actuarial assumptions for the determination of the defined obligation of the principal pension benefit plans and other post-employment benefit plans are discount rate and expected pension increase. The sensitivity analyzes below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by HK$31,526,000 (increase by HK$36,568,000).

- If the expected rate of pension in payment increases (decreases) by 50 basis points, the defined benefit obligation would increase by HK$21,030,000 (decrease by HK$18,976,000).

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans (Continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Each year an Asset-Liability-Matching study is performed in which the consequences of the strategic investment policies are analyzed in terms of risk-and-return profiles. Investment and contribution policies are integrated within this study. Main strategic choices that are formulated in the actuarial and technical policy document of the fund is asset mix based on 30% equity instruments and 70% debt instruments.

There has been no change in the process used by the Group to manage its risks from prior periods.

The Group's subsidiaries fund the service costs expected to be earned on a yearly basis.

The average duration of the benefit obligation at 31 December 2015 is 15.30 years (2014: 16.68 years).

The Group expects to make a contribution of HK$21,829,000 (2014: HK$19,132,000) to the defined benefit plans during the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans (Continued)

Amounts recognized in profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

For the year ended 31 December 2015

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Service cost:			
Current service cost	22,172	535	22,707
Net interest expense	2,620	387	3,007
Components of defined benefit costs recognized in profit or loss	24,792	922	25,714
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)	(10,789)	–	(10,789)
Actuarial gains arising from changes in financial assumptions	(9,826)	–	(9,826)
Actuarial losses arising from changes in demographic assumptions	18	82	100
Actuarial losses arising from experience adjustments	3,154	68	3,222
Components of defined benefit costs recognized in other comprehensive (income) expense	(17,443)	150	(17,293)
Total	7,349	1,072	8,421

35. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plans (Continued)

Other post-employment benefit plans (Continued)

For the year ended 31 December 2014

	Principal pension benefit plans HK$'000	Other post-employment benefit plans HK$'000	Total HK$'000
Service cost:			
Current service cost	19,559	526	20,085
Net interest expense	1,474	569	2,043
Components of defined benefit costs recognized in profit or loss	21,033	1,095	22,128
Remeasurement (gains) losses:			
Return on plan assets (excluding amounts included in net interest expense)	(15,361)	–	(15,361)
Actuarial losses arising from changes in financial assumptions	84,846	1,651	86,497
Actuarial losses arising from experience adjustments	7,140	380	7,520
Components of defined benefit costs recognized in other comprehensive expense	76,625	2,031	78,656
Total	97,658	3,126	100,784

Service cost and net interest expense for pension are allocated among functional costs (cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses).

The remeasurement of the net defined benefit liability is included in other comprehensive income.

Other retirement benefit obligations

As at 31 December 2015, the consolidated statement of financial position also includes liabilities for other retirement benefit obligations consisting of liabilities for severance payments in Italy and Austria and national pension fund in Korea and United Kingdom amounting to HK$6,364,000 (2014: HK$3,839,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*
For the year ended 31 December 2015

36. DEFERRED TAXATION

A summary of the major deferred tax assets and liabilities recognized and movements thereon during the current and prior years is as follows:

	Depreciation/ amortization HK$'000 (Note a)	Tax losses HK$'000	Retirement benefit obligations HK$'000 (Note b)	Inventories HK$'000 (Note c)	Trade receivables HK$'000 (Note c)	Provisions HK$'000 (Note b)	Others HK$'000	Total HK$'000
At 1 January 2014	7,665	31,380	49,583	89,882	3,690	44,652	9,792	236,644
Acquisitions of subsidiaries	(61,524)	741	–	(1,047)	30	–	771	(61,029)
Credit (charge) to profit or loss for the year	10,695	171	1,956	19,933	(787)	(995)	(1,490)	29,483
Credit to other comprehensive income for the year	–	–	25,931	–	–	–	–	25,931
Currency realignment	20	(1,740)	(6,676)	(3,917)	22	(1,180)	4,020	(9,451)
At 31 December 2014	(43,144)	30,552	70,794	104,851	2,955	42,477	13,093	221,578
(Charge) credit to profit or loss for the year	(14,483)	14,677	13,169	18,316	8,161	7,370	(19,772)	27,438
Credit to other comprehensive income for the year	–	–	(5,635)	–	–	–	–	(5,635)
Currency realignment	2,325	(7,993)	(7,291)	(1,091)	(83)	(2,421)	1,397	(15,157)
At 31 December 2015	(55,302)	37,236	71,037	122,076	11,033	47,426	(5,282)	228,224

Notes:

(a) The deferred tax arose from the temporary difference between the carrying amounts of intangible assets, property, plant and equipment and their tax base.

(b) The deductible temporary difference arising from retirement benefit obligations and provisions would be reversed upon the settlement of the related obligations and provisions.

(c) The deductible temporary difference mainly arising from allowances of inventories and trade receivables and unrealized profit of inventories would be reversed upon sales of inventories and write off of respective inventories and receivables.

36. DEFERRED TAXATION (Continued)

The following is the analysis of the deferred tax balances for the purpose of presentation in the consolidated statement of financial position:

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**289,846**	317,448
Deferred tax liabilities	**(61,622)**	(95,870)
	228,224	221,578

At 31 December 2015, the Group had unused tax losses of HK$486,626,000 (2014: HK$418,157,000), subject to the approval by the relevant tax authorities, available to offset future taxable profits. At 31 December 2015, a deferred tax asset amounting to HK$37,236,000 (2014: HK$30,552,000) was recognized for tax losses amounting to HK$176,339,000 (2014: HK$207,419,000) and no deferred tax was recognized in respect of the remaining tax losses of HK$310,287,000 (2014: HK$210,738,000) due to the unpredictability of future profit streams. At 31 December 2015, included in the unrecognized tax losses are losses of HK$126,879,000 that would expire during 2020 to 2022 (2014: nil). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. For certain subsidiaries located in other jurisdictions, withholding tax is also imposed on dividend. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of these subsidiaries amounting to HK$2,439,780,000 (2014: HK$1,804,543,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

37. CONVERTIBLE BONDS

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

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK$98.21 per share. The conversion price was adjusted to HK$96.54 per share with effect from 20 May 2015 as a result of the aggregate distributions of HK$2.1 per share made by the Company to the shareholders for the year ended 31 December 2014. Details of the adjustment to conversion price of the convertible bonds were set out in the Company's announcement dated 13 May 2015.

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

37. CONVERTIBLE BONDS (Continued)

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

(i) at any time after 28 March 2017 and prior to the Maturity Date, the closing price of an ordinary share of the Company, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the Redemption Notice is given is at least 130% of the conversion price, or

(ii) at any time, prior to the date the Redemption Notice is given, at least 90% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled.

The Company will, at the option of the bond holder, redeem all or some of that convertible bonds on 28 March 2017 at their principal amount together with interest accrued to such date but unpaid.

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

The net proceeds received from the issue of the convertible bonds was split between a liability component and an equity component in its initial recognition as follows:

(i) Liability component was initially measured at fair value amounted to approximately HK$2,128,539,000, which represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, with the bondholder redemption option but without the conversion option. It is subsequently measured at amortized cost by applying an effective interest rate of 6.786% per annum after considering the effect of the transaction costs;

(ii) In the opinion of the directors of the Company, the economic characteristics and risks of the early redemption options are closely related to the host debt contract of the convertible bonds. Therefore, the Company did not account for the early redemption options separately; and

(iii) Equity component, which was equal to the difference between the net proceeds received and the fair value of the liability component, amounted to approximately HK$266,932,000 which was presented in equity as convertible bond equity reserve.

None of the convertible bonds was redeemed or converted during the year ended 31 December 2015.

37. CONVERTIBLE BONDS (Continued)

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2014	–	–	–
Convertible bonds issued on 28 March 2014	**2,128,539**	**271,461**	**2,400,000**
Transaction costs incurred	**(35,471)**	**(4,529)**	**(40,000)**
Interest charge during the year *(note 12)*	**107,826**	–	**107,826**
Interest paid	**(24,000)**	–	**(24,000)**
At 31 December 2014 and 1 January 2015	**2,176,894**	**266,932**	**2,443,826**
Interest charge during the year *(note 12)*	**148,571**	–	**148,571**
Interest paid	**(48,000)**	–	**(48,000)**
At 31 December 2015	**2,277,465**	**266,932**	**2,544,397**

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

	2015 HK$'000	2014 HK$'000
Current liabilities (included in trade and other payables)	**12,690**	12,690
Non-current liabilities	**2,264,775**	2,164,204
	2,277,465	2,176,894

38. ACQUISITIONS OF BUSINESSES

Acquisition of molded interconnect substrates business ("MIS Business") in 2015

On 9 October 2015, the Group entered into a purchase agreement to acquire 61% interest in the MIS Business from Interconnect Tech Pte Ltd., a Singapore-based company, at a consideration of US$7,102,000 (equivalent to approximately HK$55,041,000) ("MIS Acquisition"). The MIS Acquisition was completed during the year and has been accounted for using the acquisition method.

Acquisition-related costs amounting to HK$86,000 have been excluded from the cost of MIS Acquisition and have been recognized directly as an expense in the period and included in the "general and administrative expenses" line item in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

38. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of molded interconnect substrates business ("MIS Business") in 2015 (Continued)

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	85,471
Inventories	1,322
Trade and other receivables	4,536
Trade and other payables	(25,972)
	65,357

	HK$'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	55,041

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	55,041
Plus: non-controlling interests	32,742
Less: fair value of identified net assets acquired	(65,357)
	22,426

The non-controlling interests (39%) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to HK$32,742,000. This fair value was estimated by applying an income approach. The key model inputs used in determining the fair value are assumed discount rate of 15% and assumed long-term sustainable growth rate of 3%.

The receivables acquired (which principally comprised trade receivables) in this acquisition with a fair value of HK$3,108,000, which is the same as the related gross contractual amount.

Goodwill arose in MIS Acquisition because of the cost of the combination include a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of MIS Business. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition is not expected to be deductible for tax purposes.

38. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of molded interconnect substrates business ("MIS Business") in 2015 (Continued)

Impact of acquisitions on the results of the Group

Included in the profit for the year is loss of HK$8,402,000 attributable to MIS Business. Revenue for the year includes HK$4,116,000 attributable to MIS Business.

Had the acquisition of MIS Business been completed at the beginning of the year, the total amount of revenue of the Group for the year would have been HK$13,014,112,000 and the amount of the profit for the year would have been HK$900,279,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

Acquisition of Advanced Laser Separation International (ALSI) B.V. ("ALSI") in 2014

On 12 February 2014, the Group entered into a purchase agreement to acquire the business of ALSI, a Dutch technology company specializing in multi-beam laser-cutting and low-K wafer grooving at a consideration of EUR2,113,000 (equivalent to approximately HK$22,180,000) ("ALSI Acquisition"). Through this ALSI Acquisition, the Group had set up an advanced laser technology center in the Netherlands to develop technology and machines to serve the laser sawing market. The ALSI Acquisition was completed during the year ended 31 December 2014 and has been accounted for using the acquisition method.

Acquisition-related costs amounting to HK$1,155,000 had been excluded from the cost of ALSI Acquisition and had been recognized directly as an expense in the year ended 31 December 2014 and included in the "general and administrative expenses" line item in the consolidated statement of profit or loss.

Assets acquired and liabilities recognized at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	2,085
Intangible assets	6,985
Inventories	32,391
Trade and other receivables	13,012
Trade and other payables	(30,717)
Deferred tax liabilities	(1,576)
	22,180

	HK$'000
Net cash outflow arising on acquisition:	
Consideration paid in cash	22,180

38. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of Advanced Laser Separation International (ALSI) B.V. ("ALSI") in 2014 (Continued)

No goodwill was arisen on ALSI Acquisition.

The fair value of intangible assets acquired from the ALSI Acquisition of HK$6,985,000 representing patents which were determined by the management of the Company with reference to the valuation report, based on the multi-period excess earnings method, prepared by independent professional valuers on the patents as at 12 February 2014. That calculation used cash flow projections based on financial budgets approved by management covering the useful lives of the patents at a discount rate of 19%. Other key assumptions of the value in use calculations relating to the estimation of cash inflows/outflows included budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market development.

Acquisition of DEK Business in 2014

On 2 July 2014, pursuant to a master sale and purchase agreement (the "S&P Agreement") entered into with Dover Printing & Identification, Inc. and Dover Corporation (the "Sellers"), the Company acquired the screen printing and processes business currently operated by the Sellers ("DEK Business" or "Printing Business") which comprises all the shares in the companies currently operating the DEK Business ("Target Companies") ("DEK Acquisition"). The product portfolio of the DEK Business consists of surface mount technology equipment for the electronics industry, metallization equipment for solar and fuel cells industry and a portfolio of the following recurring revenue products: consumables, replacement screens, stencils, parts and services.

The purchase consideration comprised the base purchase price of US$170,000,000 (equivalent to approximately HK$1,317,602,000) adjusted by the amount of working capital, capital expenditures and cash and cash equivalents of the Target Companies upon completion pursuant to the terms specified in the S&P Agreement; and plus a contingent consideration totalling up to US$30,000,000 (equivalent to approximately HK$232,518,000) that were linked to the actual revenue of the Target Companies earned during the measurement period specified in the S&P Agreement.

Acquisition-related costs had been excluded from the costs of acquisition of DEK Acquisition and recognized as an expense in the period when incurred within the "general and administrative expenses" line item in the consolidated statement of profit or loss. Cumulative acquisition-related costs in respect of DEK Acquisition amounted to HK$41,050,000, of which HK$2,411,000 was charged to profit or loss in the year ended 31 December 2014 with the remaining amount charged to profit or loss in 2013.

38. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of DEK Business in 2014 (Continued)

	HK$'000
Consideration transferred:	
Cash paid	**1,350,515**
Contingent consideration arrangement *(Note)*	–
	1,350,515

Note: The contingent consideration required the Group to pay the Sellers an additional HK$232,518,000 if the sales of the Target Companies could exceed the amount of revenue specified in the S&P Agreement in 2014 ("Target Revenue") calendar year or 12-month period ending 31 March 2015 ("Relevant Period"). In accordance to the estimated sales performance and profit forecast of the DEK Business, the directors did not consider it was probable that this payment would be required at the date of acquisition. The estimated fair value of this obligation was HK$nil. The Target Companies did not achieve the Target Revenue during the Relevant Period in 2015.

Assets acquired and liabilities recognized at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	**105,406**
Intangible assets	**635,627**
Deferred tax assets	**2,344**
Inventories	**194,140**
Trade and other receivables	**208,685**
Income tax recoverable	**6,155**
Bank balances and cash	**39,401**
Trade and other payables	**(173,048)**
Provisions	**(5,601)**
Income tax payable	**(6,146)**
Deferred tax liabilities	**(61,797)**
	945,166

The receivables acquired (which principally comprised trade receivables) in this acquisition with a fair value of HK$208,685,000 had gross contractual amount of HK$212,198,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected was HK$3,513,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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38. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of DEK Business in 2014 (Continued)

The fair value of intangible assets acquired from the DEK Acquisition of HK$635,627,000 representing trade name, technology, customer bases and sales backlog were determined by the management of the Company with reference to the valuation report, based on the multi-period excess earnings method, and prepared by independent professional valuers as at 2 July 2014. That calculation uses cash flow projections based on financial budgets approved by management covering the estimated useful lives of the intangible assets at a discount rate of 16%. Other key assumptions of the value in use calculations relating to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market development.

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	**1,350,515**
Less: fair value of identified net assets acquired	**(945,166)**
	405,349

Goodwill arose in DEK Acquisition because of the cost of the combination include a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of DEK business. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition is not expected to be deductible for tax purposes.

	HK$'000
Net cash outflow on DEK Acquisition:	
Consideration paid in cash	**1,350,515**
Less: cash and cash equivalent balances acquired	**(39,401)**
	1,311,114

38. ACQUISITIONS OF BUSINESSES (Continued)

Impact of acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2014 was loss of HK$84,466,000 attributable to ALSI and DEK Business. Revenue for the year ended 31 December 2014 included HK$650,393,000 attributable to ALSI and Printing Business. Printing Business operated at profit during the year ended 31 December 2014 before including the impacts of amortization of fair value increment of assets acquired from DEK Acquisition while ALSI was operating at loss during the year ended 31 December 2014.

Had the acquisitions of ALSI and Printing Business been completed at the beginning of the year ended 31 December 2014, the total amount of revenue and profit of the Group for the year ended 31 December 2014 would have been HK$14,787,401,000 and HK$1,627,562,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the year, nor is it intended to be a projection of future results.

39. CONTINGENT LIABILITIES

	2015 HK$'000	2014 HK$'000
Guarantees given to the Singapore government for work permits of foreign workers in Singapore	**2,189**	2,500

40. CAPITAL COMMITMENTS

	2015 HK$'000	2014 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**130,705**	417,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

41. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015			2014		
	Land and buildings HK$'000	Motor vehicles and others HK$'000	Total HK$'000	Land and buildings HK$'000	Motor vehicles and others HK$'000	Total HK$'000
Within one year	**184,372**	**10,840**	**195,212**	180,245	10,365	190,610
In the second to fifth years inclusive	**209,967**	**9,222**	**219,189**	213,669	13,796	227,465
Over five years	**6,797**	**–**	**6,797**	12,272	–	12,272
	401,136	**20,062**	**421,198**	406,186	24,161	430,347

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties, quarters and motor vehicles. Except for land leased from the Singapore Housing & Development Board for a period of 30 years (renewable upon expiry for a further term of 30 years), other leases are negotiated for an average term of two to five years (2014: two to five years).

42. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The emoluments of directors and other members of key management during the year were as follows:

	2015 HK$'000	2014 HK$'000
Short-term benefits	**31,435**	19,396
Post-employment benefits	**1,358**	1,146
Share-based payments	**28,476**	19,636
	61,269	40,178

Certain shares of the Company were issued to key management under the Scheme (see note 34 for details of the Scheme). The estimated fair value of such shares has been included in share-based payments for both years.

The emoluments of directors and senior management are determined by the Remuneration Committee, having regard to the performance of individuals and market trends.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
ASM Advanced Packaging Materials Pte. Ltd.	Singapore	US$10,832,840	–	61% *(Note a)*	Manufacturing of materials
ASM Assembly Equipment Bangkok Limited	Thailand	Baht7,000,000	–	100%	Marketing service
ASM Assembly Equipment (M) Sdn. Bhd.	Malaysia	MYR10,000	–	100%	Marketing service
ASM Assembly Systems GmbH & Co. KG	Germany	EUR20,200,000	–	100%	Manufacture and sale of surface mount technology equipment and trading of semiconductor equipment
ASM Assembly Systems, LLC	Delaware, United States	–	–	100%	Trading of surface mount technology equipment
先進裝配系統有限公司 (ASM Assembly Systems Ltd.)*	PRC	EUR5,400,000	–	100%	Trading of surface mount technology equipment
ASM Assembly Systems Singapore Pte. Ltd.	Singapore	S$33,000,001	–	100%	Manufacture and sale of surface mount technology equipment
先進電子裝配系統製造(深圳)有限公司 (ASM Assembly Systems Manufacturing (Shenzhen) Co., Ltd.)*	PRC	US$750,000	–	100% *(Notes b and c)*	Manufacture and sale of surface mount technology equipment
ASM Assembly Systems Switzerland GmbH	Switzerland	CHF500,000	–	100% *(Note b)*	Trading of surface mount technology equipment
ASM Assembly Systems Weymouth Limited	United Kingdom	GBP80,000	–	100% *(Note b)*	Manufacture of surface mount technology equipment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
ASM Assembly Technology Co., Ltd.	Japan	JPY10,000,000	100%	–	Trading of semiconductor equipment
先域微電子技術服務(上海)有限公司 (ASM Microelectronic Technical Services (Shanghai) Co., Limited)*	PRC	US$400,000	–	100%	Trading of semiconductor equipment
ASM Pacific Assembly Products, Inc.	United States of America	US$60,000	–	100%	Trading of semiconductor equipment and materials
ASM Pacific (Holding) Limited	Hong Kong	HK$1,000,000	100%	–	Trading of semiconductor equipment and materials in Taiwan
ASM Pacific (Hong Kong) Limited	Hong Kong	HK$500,000	100%	–	Trading of semiconductor equipment, surface mount technology equipment and materials in Hong Kong and marketing service in Korea
先進半導體材料(深圳)有限公司 (ASM Materials China Limited)*	PRC	US$45,170,000 (2014: US$42,722,392)	–	100%	Manufacture of semiconductor equipment and materials
ASM Technology Asia Limited	Hong Kong	HK$2	100%	–	Investment holding and agency services and also provision of logistics and purchasing services to group companies
先進科技(中國)有限公司 (ASM Technology China Limited)*	PRC	US$26,058,159	–	100%	Research and development of semiconductor equipment
ASM Technology Hong Kong Limited	Hong Kong	HK$10,000,000	100%	–	Manufacture of semiconductor equipment and provision of research and development services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued capital	Proportion of nominal value of issued ordinary share/ registered capital held by the Company		Principal activities
		Ordinary shares/ registered capital	Directly	Indirectly	
先進科技(惠州)有限公司 (ASM Technology (Huizhou) Co., Ltd.)*	PRC	US$107,737,691	–	100%	Manufacture of semiconductor equipment and surface mount technology equipment
ASM Technology (M) Sdn. Bhd.	Malaysia	MYR74,000,000	100%	–	Manufacture of semiconductor equipment, materials and surface mount technology equipment
ASM Technology Singapore Pte Ltd.	Singapore	S$53,000,000	100%	–	Manufacture and sale of semiconductor equipment and materials
進峰貿易(深圳)有限公司 (Edgeward Trading (Shenzhen) Limited)*	PRC	US$300,000	–	100%	Trading of semiconductor equipment and materials
深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Ltd.)	PRC	*(Note d)*	–	*(Note d)*	Manufacture of semiconductor equipment and surface mount technology equipment

Notes:

(a) The entity was incorporated in September 2015 to acquire the MIS Business (see note 38).

(b) These entities were acquired on 2 July 2014 through the DEK Acquisition (see note 38).

(c) The entity was in process of dissolution as at 31 December 2015.

(d) Under a joint venture agreement, the Group has committed to contribute 100% of the registered capital of HK$718,300,000 (2014: HK$718,300,000) in 深圳先進微電子科技有限公司 (Shenzhen ASM Micro Electronic Technology Co., Ltd.) ("MET"), a co-operative joint venture company established in the PRC with a term of 10 years commencing October 1994. On 23 February 2004, the term was approved to be extended for a period of five years to October 2009. On 23 June 2009, the term was approved to be extended for a further period of seven years to October 2016. At 31 December 2015, the Group has paid up HK$712,500,000 (2014: HK$712,500,000) as registered capital of MET. The Group has to bear the entire risk and liabilities of MET and has power over MET. Also, the Group is exposed and has rights, to variable returns from its involvement with MET. Other than annual amount of HK$10,192,000 (2014: HK$10,301,000) attributable to assets provided by the PRC joint venture partner, the Group is entitled to the entire profit or loss of MET. On cessation of the joint venture company, the Group will be entitled to all assets other than those provided by the PRC joint venture partner and those irremovable building improvements. The annual amount paid to the PRC joint venture partner was included in the minimum lease payments during the year. The commitment for the future payments was included in the operating lease commitments as at 31 December 2015 and 2014 in note 41.

* Established as a wholly foreign owned enterprise in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the year ended 31 December 2015

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

All the principal subsidiaries operate predominantly in their respective places of incorporation/establishment unless specified otherwise under the heading "principal activities".

No debt security has been issued by any of the subsidiaries at any time during the year or is outstanding at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 HK$'000	2014 HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**1,483,929**	464,199
Loans to subsidiaries	**534,791**	1,902,144
	2,018,720	2,366,343
Current assets		
Other receivables and prepayments	**5,734**	8,076
Amounts due from subsidiaries	**4,164,460**	3,876,624
Pledged bank deposit	**–**	188,340
Bank balances and cash	**418,616**	2,949
	4,588,810	4,075,989
Current liabilities		
Other payables	**19,271**	24,200
Amounts due to subsidiaries	**727,462**	489,940
	746,733	514,140
Net current assets	**3,842,077**	3,561,849
	5,860,797	5,928,192
Capital and reserves		
Share capital *(see note 33)*	**40,453**	40,252
Reserves *(Note)*	**3,555,569**	3,723,736
	3,596,022	3,763,988
Non-current liabilities		
Convertible bonds	**2,264,775**	2,164,204
	5,860,797	5,928,192

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note: Movement in reserves

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Shares held for share award scheme HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Convertible bonds equity reserve HK$'000	Retained profits HK$'000	Dividend reserve HK$'000	Total HK$'000
At 1 January 2014	944,723	–	–	155	56,143	–	1,922,589	200,317	3,123,927
Profit and total comprehensive income for the year	–	–	–	–	–	–	723,448	–	723,448
Sub-total	944,723	–	–	155	56,143	–	2,646,037	200,317	3,847,375
Recognition of equity-settled share-based payments	–	146,300	–	–	–	–	–	–	146,300
Purchase of shares under the Scheme	–	–	(15,858)	–	–	–	–	–	(15,858)
Shares vested under the Scheme	–	(15,858)	15,858	–	–	–	–	–	–
Shares issued under the Scheme	130,253	(130,442)	–	–	–	–	–	–	(189)
Recognition of equity component of convertible bonds	–	–	–	–	–	266,932	–	–	266,932
2013 final dividend paid	–	–	–	–	–	–	–	(200,317)	(200,317)
2014 interim dividend paid	–	–	–	–	–	–	(320,507)	–	(320,507)
2014 final dividend proposed	–	–	–	–	–	–	(523,274)	523,274	–
At 31 December 2014 and 1 January 2015	1,074,976	–	–	155	56,143	266,932	1,802,256	523,274	3,723,736
Profit and total comprehensive income for the year	–	–	–	–	–	–	602,554	–	602,554
Sub-total	1,074,976	–	–	155	56,143	266,932	2,404,810	523,274	4,326,290
Recognition of equity-settled share-based payments	–	178,617	–	–	–	–	–	–	178,617
Purchase of shares under the Scheme	–	–	(23,344)	–	–	–	–	–	(23,344)
Shares vested under the Scheme	–	(24,674)	23,344	–	–	–	1,330	–	–
Shares issued under the Scheme	153,742	(153,943)	–	–	–	–	–	–	(201)
2014 final dividend paid	–	–	–	–	–	–	–	(523,274)	(523,274)
2015 interim dividend paid	–	–	–	–	–	–	(402,519)	–	(402,519)
2015 final dividend proposed	–	–	–	–	–	–	(161,812)	161,812	–
At 31 December 2015	1,228,718	–	–	155	56,143	266,932	1,841,809	161,812	3,555,569

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Results					
Revenue	**12,977,289**	14,229,177	10,841,166	10,460,558	12,915,194
Profit before taxation	**1,363,376**	2,028,463	673,010	868,678	3,289,444
Income tax expense	**(410,462)**	(428,509)	(114,421)	(179,684)	(357,464)
Profit for the year	**952,914**	1,599,954	558,589	688,994	2,931,980
Loss attributable to non-controlling interests	**3,277**	–	–	–	–
Profit attributable to owners of the Company	**956,191**	1,599,954	558,589	688,994	2,931,980

	At 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Assets and Liabilities					
Non-current assets	**3,773,749**	3,656,279	2,721,609	2,698,143	2,470,652
Current assets	**10,093,894**	10,839,979	8,018,860	7,525,837	7,141,054
Current liabilities	**(3,132,775)**	(3,758,619)	(3,303,270)	(3,351,939)	(3,158,289)
Net current assets	**6,961,119**	7,081,360	4,715,590	4,173,898	3,982,765
Non-current liabilities	**2,698,883**	(2,532,445)	(355,934)	(315,367)	(187,622)
Total equity	**8,035,985**	8,205,194	7,081,265	6,556,674	6,265,795
Non-controlling interests	**(29,466)**	–	–	–	–
Equity attributable to owners of the Company	**8,006,519**	8,205,194	7,081,265	6,556,674	6,265,795

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40th Anniversary

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