瑞聲科技控股有限公司
AAC Technologies Holdings Inc.

(incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code股份代號： 02018

2014
Annual Report
年報

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Benjamin Zhengmin Pan
(Chief Executive Officer)
Mr. Mok Joe Kuen Richard

Non-executive Director

Ms. Ingrid Chunyuan Wu

Independent Non-executive Directors

Mr. Koh Boon Hwee (Chairman)
Mr. Poon Chung Yin Joseph
Dato' Tan Bian Ee
Ms. Chang Carmen I-Hua

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Poon Chung Yin Joseph (Chairman)
Mr. Koh Boon Hwee
Ms. Ingrid Chunyuan Wu

REMUNERATION COMMITTEE

Mr. Koh Boon Hwee (Chairman)
Dato' Tan Bian Ee
Ms. Chang Carmen I-Hua

NOMINATION COMMITTEE

Dato' Tan Bian Ee (Chairman)
Mr. Poon Chung Yin Joseph
Ms. Chang Carmen I-Hua

AUTHORIZED REPRESENTATIVES

Mr. Benjamin Zhengmin Pan
Mr. Mok Joe Kuen Richard

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISOR FOR LISTING MATTERS

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square, Hutchins Drive
P.O. Box 2681, George Town
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2003, 20th Floor
100 Queen's Road Central
Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
Boundary Hall, Cricket Square
P.O. Box 1093, Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications
Bank of China
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank Ltd.

STOCK CODE

02018

WEBSITE

www.aactechnologies.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

AAC Technologies Holdings Inc. ("AAC Technologies" or the "Company") delivered satisfactory business performance and financial results in 2014. We reported record revenue of over RMB8.8 billion for the fifth year in a row. 2015 marks the tenth anniversary of our listing on the Mainboard of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). We look back over the last decade and witnessed how the Company has flourished from annual sales of just over RMB1 billion for the IPO year ended 2005.

For the year ended 31st December, 2014, revenue rose to RMB8,879.3 million, 9.7% higher than that of 2013, and gross profit of RMB3,678.0 million, an increase of 6.3%. Net profit for the year reached RMB2,317.7 million. We delivered a gross margin of 41.4% and net profit margin of 26.1%. The Company exercised prudence in managing its financial position, ending 31st December, 2014 with net cash of RMB184.6 million, after a year of continued investment in automation for the acoustic segments and capacity expansion in non-acoustic segments.

The Board will recommend the payment of a final dividend for the year ended 31st December, 2014 of HK$0.71 per ordinary share. This proposed final dividend, together with the interim dividend of HK$0.25, amount to total dividends of HK$0.96, representing a stable payout ratio of about 40% of the profit attributable to owners of the Company for the year.

2014 was an encouraging year for AAC Technologies. We have grown and we have laid important foundations for future development and expansion. We continue to lead in the audio business and continue to develop competitive acoustic solutions for our customers. We have steadily diversified into a range of new non-acoustic business segments, using our core design and production capabilities to offer innovative and integrated solutions. The non-acoustic segments account for 20% of the company's revenues, underlining the strategic progress we have made in building substantial businesses in new sectors. Some highlights for the year under review would be:

- We started to work with Smart Power Amplifier ("PA") and audio signal processing companies to improve the sound output and audio quality of smart devices. This helps to strengthen our leading position by setting audio standards that fits well with our strategy to provide customers with total solutions;

- Riding on our mechanical know-how and strong patent portfolio, we were able to offer different solutions of haptic vibrators to customers;

- We worked on Radio Frequencies ("RF") technology to deliver more solutions such as antenna, NFC, wireless charger and integrated solutions (mechanical structure with antennas and acoustic components); and

- We established internal optics manufacturing capabilities from design, precision mold manufacturing to assembly process.

We successfully obtained 263 additional patents in 2014, of which 87 are for the non-acoustic segments, bringing our intellectual property portfolio to a total of 1,450 patents. In 2014, we filed another 247 patents pending, which bring us to a total of 320 patents pending by the end of the year.

CHAIRMAN'S STATEMENT

We believe that a business built on the principles of good governance and corporate responsibility is more likely to succeed over the long term. Hence, environmental, social and governance ("ESG") matters have been an integral part of our business strategy and management approach. During the year under review, we took a step forward by publishing our first Sustainability Report, which discloses ESG performance of the Company in 2013. Since 2012, the Company has been included as a constituent member of the "Hang Seng Corporate Sustainability Benchmark Index". And in 2014, our continuous effort in promoting sustainability and high ESG standards was recognized and we were selected as one of the 30-members of the "Hang Seng Corporate Sustainability Index".

Ten years ago, our business was simply acoustic products, which were produced by manual and semi-automated lines. We are currently offering total solutions – acoustic, haptic, RF/antenna, mechanical structure and optics; and production is done by more than a hundred automation lines. We remain positive about the opportunities to grow the business further and we are well placed to capitalize on the growth potential in both acoustic and non-acoustic segments globally.

Lastly, on the behalf of the Board, I would like to express my sincere appreciation to all our staff and management for their hard work and dedication. We are grateful to our stakeholders who support and trust in us. In return, we will continue to create more value for you and for the community as a whole, and together, we look forward to the next decade.

Koh Boon Hwee
Chairman

25th March, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AAC Technologies is an established designer, developer and manufacturer of a broad range of miniaturized acoustic and non-acoustic components. Acoustic components include speakers, receivers and microphones. Non-acoustic components include haptics vibrators, RF and antennas, and optical lenses. The Company also provides a range of innovative technology solutions integrating acoustic and non-acoustic designs. The Company serves a large number of geographically diverse customers in the consumer electronics market. The Company's products are found in mobile devices, including smartphones, tablets, wearables, ultrabooks, notebooks and electronic book-readers. The Company is global in scope with research and development centers in the People's Republic of China (the "PRC"), Singapore, Japan and Denmark, testing laboratories in Singapore and Korea, manufacturing facilities in the PRC, Vietnam and the Philippines, and sales offices throughout the world.

As a technology company, the Company recognizes the importance of continuous and focused research and development. We will continue to develop and strengthen our research and development capabilities and our intellectual property portfolio. Our management team is committed to identify and evaluate appropriate opportunities to invest or form alliances with other global technology companies that will create synergy with the Company's existing technology capabilities.

MARKET REVIEW

Holiday seasonality, strong end-user demand, and a wide selection of models propelled smartphone sales volumes to a new record level for the fourth quarter and for the full year of 2014. According to an independent industry research, the worldwide smartphone market grew about 28% from 2013. Mature markets have become increasingly dependent on replacement purchases rather than first-time buyers, leading to slower growth. In emerging markets, first-time buyers continue to provide market momentum, but the focus has shifted toward lower-priced devices, creating a different dynamic for both international and local vendors.

Chinese handset makers are disrupting markets with high-specs but competitively-priced products. Market share gains and rapid growth are pursued by these Chinese players. Competition is driving handset manufacturers to deliver devices best suited to what the market desires. As a leading total solutions provider, AAC Technologies embraces the challenges in form factor changes and delivers better solutions based on new requirements from different customers for different tiers of models.

Especially in this fast changing environment, customers require both time- and cost-saving solutions. Our strong design and production capabilities, aligned with high automation and efficiency, backed by a consistent high level of investment in R&D, allow us to provide solutions that fit diverse needs from customers in terms of technology upgrades and innovation. Furthermore, our integrated cross-platform solutions such as RF mechanical structures incorporating acoustic components, multiple antennas, NFC plus wireless charger, allow us to add value to our customers and secure a competitive edge in the market.

FINANCIAL REVIEW

The Company has achieved solid financial results in 2014 and generated RMB1,967.3 million in net cash flow from operations. For the year ended 31st December, 2014, the Group's total revenue reached RMB8,879.3 million, representing an increase of RMB783.4 million, or 9.7%, compared with 2013. Gross profit of RMB3,678.0 million was RMB219.3 million, or 6.3%, higher than 2013. Gross profit margin was 41.4%, 1.3 percentage points lower than the corresponding period of last year. The change in gross profit margin was mainly due to a reduction of average selling price in mature products and an increase in direct costs, including higher labour costs and ramp-up costs of new platforms, offset by better product mix and improved production efficiency. Underlying recurring net profit amounted to RMB2,317.7 million, representing a rise of 2.8% year-on-year after adjusting for non-cash items from net gain on deemed disposal of partial interest in an associate and gain on deemed disposal of an associate in the year ended of 31st December, 2013. Basic earnings per share amounted to RMB1.89, down 10.1% from RMB2.10 for 2013, which included the above-mentioned non-recurring items.

The turnover days of trade receivables was 116 days, 22.1% more compared with 2013. Aging of trade receivables which is net of allowance for doubtful debts based on invoice dates between 0-90 days, 91-180 days and over 180 days were RMB3,015.8 million, RMB282.1 million and RMB30.6 million respectively, compared with RMB2,049.4 million, RMB247.0 million and RMB5.2 million in 2013. The quality of receivables remained sound as there was no specific or general bad debt provision required during the period, and total subsequent settlement received up to 28th February, 2015 amounts to RMB2,099.2 million representing 63.1% of the total amounts outstanding, net of allowances, as at the end of the reporting period.

As for tax, the Group's operating subsidiaries fall under the taxation regimes in Hong Kong, the PRC and Singapore where different laws and regulations, and specific concessionary incentives apply.

GEARING RATIO AND INDEBTEDNESS

The gearing ratio of the Group, computed by dividing total loans and borrowings by total assets, was 10.8% as at 31st December, 2014 compared with 8.6% as at 31st December, 2013.

As at 31st December, 2014, the Group had RMB1,417.8 million of bank loans, all short term, compared with RMB904.7 million as at 31st December, 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position remained solid and continued to maintain a strong and steady cash inflow from operating activities. As at 31st December, 2014, the Group had RMB1,602.7 million in unencumbered cash and cash equivalents. Management believes that the Group's current cash and cash equivalents, together with available credit facilities and expected cash flow from operations, will be sufficient to satisfy the current operational requirements of the Group.

FOREIGN EXCHANGE

Given our international operations and presence, the Group faces foreign exchange exposure including transaction and translation exposure.

It is the Group's consistent policy to centralize foreign exchange management to monitor total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a natural hedge is not possible, the Group will mitigate foreign exchange risks via appropriate foreign exchange contracts.

The Group has not entered nor will it enter into any derivative transactions for trading or speculative purposes.

CHARGES ON GROUP ASSETS

Apart from bank deposits amounting to RMB4.0 million and RMB2.4 million that were pledged to banks respectively as at 31st December, 2014 and 31st December, 2013, no other Group assets were charged to any financial institutions.

EMPLOYEE INFORMATION

As at 31st December, 2014, the Group employed 32,172 permanent employees, an increase from a total of 23,011 as at 31st December, 2013, brought about by the Company's ongoing business development in PRC and in other regions in Asia, especially for new projects of all product segments. Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management regularly reviews the Group's remuneration policy and appraises the work performance of its staff. Employee remuneration includes salaries, allowances, bonuses, social insurance and mandatory pension fund contribution. As required by the relevant regulations in the PRC, the Group participates in the social insurance schemes operated by the relevant local government authorities. The Group also participates in the mandatory pension fund and social insurance schemes for our employees in Hong Kong, Taiwan, Singapore, South Korea, Vietnam, Philippines, USA and various countries in Europe.

PROSPECTS

Growth in smartphone markets are projected to outpace that for consumer electronics overall, as this single device class evolves to be the central control for daily life on the back of increased processing power, greater wireless bandwidth and the proliferation of mobile ready media, applications and games. The overall percentage growth of smartphones sales is forecasted to be in the mid-teens in 2015, but as smartphone brand competition intensify, new models with higher specifications and innovative designs continue to be launched.

Simultaneously, a new addressable market – wearables, is highly anticipated to take off this year. The wearables are designed to surround the smartphone with innovative interesting applications to monitor personal metrics and to facilitate interactions with the world at large. These designs present both challenges and opportunities.

The wave of innovation in both the smartphone itself and all the surrounding sensors and devices will continue without any doubt. Whichever devices gain market traction and dominate, the opportunity to provide hardware solutions to enable these innovations is compelling. As the devices get thinner and lighter, performance, design and mechanical integration become essential considerations. AAC Technologies offers our clients a unique perspective on how to innovate and differentiate their products.

As a total solutions provider, AAC Technologies not only delivers innovative products for technological transition, but also offers feasible options for customers to adopt. For instance, consumers' demand for sound quality increases as smartphones and tablets are becoming entertainment platforms, speakers need to deliver high resolution acoustic while remaining as small as possible in form factor. In addition, we work with Smart PA and audio signal processing companies to boost loudness and audio quality without affecting the speaker's operating lifetime. This strengthens our leading position by setting audio standards providing customers with total solutions. In the non-acoustic areas, the market increasingly appreciates our design and production capabilities. Our new design and integrated solutions of RF and haptics have gained good customer traction and we hope to see more contribution from optics segment soon. Sales from these new segments are expected to continue to grow for the years to come.

AAC Technologies is well-prepared for growth with a clear solutions roadmap and will stay focused on technology development for both acoustic and non-acoustic segments, supported by vertically integrated production and automation processes. The enrichment of our product portfolio would help us further advance on our goal to become a comprehensive miniature components solutions provider.

With our attention to customers, focused investment in R&D, good execution track record and effective cost control, AAC Technologies is well positioned for increased market competitiveness and sustainable profit growth.

Our ultimate goal is to become one of the world's leading micro components solution provider for electronic products in the consumer and industrial markets.

DIVIDENDS

From time to time, the Company will consider the declaration of dividends based on its earnings, financial position, debt repayment requirements, capital expenditure plans, medium to long-term business strategies and other factors as the Board may deem appropriate. The Board may also from time to time pay to shareholders such interim dividends to be justified by the profit of the Company and may recommend final dividends for approval by Shareholders in annual general meetings.

For the year ended 31st December, 2014, an interim dividend of HK$0.25 per ordinary share for the six months ended 30th June, 2014 (2013: HK$0.25 per ordinary share) was paid to Shareholders of the Company.

The Board resolved to recommend the payment of a final dividend of HK$0.71 (2013: HK$0.83) per ordinary share in respect of the year ended 31st December, 2014. This proposed final dividend together with the interim dividend already paid amount to total dividends of HK$0.96 (2013: HK$1.08) an unchanged payout ratio of about 40% of the profit attributable to owners of the Company for the year.

Subject to Shareholders' approval at the forthcoming annual general meeting to be held on 18th May, 2015, the said final dividend will be payable to shareholders of the Company, whose names appear on the register of members of the Company on 27th May, 2015. Payment will be made on or about 8th June, 2015.

FORWARD-LOOKING STATEMENTS

This report may contain certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this annual report of the Company; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Benjamin Zhengmin Pan ("Mr. Pan"), aged 46, is an executive Director and Chief Executive Officer ("CEO") of the Company. Mr. Pan co-founded the Group in 1993. Mr. Pan is responsible for providing strategic direction and leadership and for developing and implementing the Group's strategic objectives and business plans. Specifically, Mr. Pan is responsible for overseeing the coordination between sales and marketing, research and development, manufacturing, and other functions including quality assurance, finance and human resources. Mr. Pan has been instrumental in spearheading the Group's expansion outside the PRC. In 1996, he co-founded and was appointed President and CEO of American Audio Component Inc. ("AAC U.S."). Mr. Pan also co-founded Shenzhen Meiou Electronics Corporation ("Shenzhen Meiou") in 1998 and American Audio Components (Changzhou) Co., Ltd. ("Changzhou AAC") in 2000. In addition to his experience in sales and marketing, manufacturing and management, he has also been instrumental in leading our research and development strategy, and has developed a number of patents used in the design and manufacturing of our polyphonic speakers, miniature receivers, transducers and Electret Condenser Microphones. Mr. Pan graduated from the 江蘇省武進師範學校 (Jiangsu Province Wujin Teacher School) in 1987. Mr. Pan is the spouse of Ms. Ingrid Chunyuan Wu ("Ms. Wu"), the non-executive Director and a substantial Shareholder of the Company.

Save as disclosed above, Mr. Pan does not have any relationships with other Directors, senior management, substantial Shareholders or controlling Shareholders (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of the Group). Save as aforesaid, Mr. Pan did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years but he has directorship in a number of subsidiaries of the Company.

The term of appointment of Mr. Pan is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Mr. Pan is subject to retirement by rotation and re-election in accordance with the article of association of the Company. He is entitled to a basic salary of approximately US$635,000 per year (effective from 1st April, 2014) (which is covered by the service agreement) and will be paid monthly in arrears which is determined upon negotiation between Mr. Pan and the Company at arm's length on the basis of his previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions and which is subject to review periodically as determined by the Company.

The interests of Mr. Pan in the Shares (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)) (the "SFO"), were as follows:

Name of Director	Capacity/Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding
Mr. Pan	Beneficial owner/interest of spouse and child under 18/interest of controlled corporation/personal, family and corporate interest	495,317,652 (Note)	40.34%

Note:

Mr. Pan beneficially owns 69,512,565 shares. In addition, Mr. Pan is deemed or taken to be interested in the following shares for the purposes of the SFO:

(i) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan;

(ii) 262,820,525 shares which are beneficially owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such 262,820,525 shares; and

(iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Exempt Trust dated 10th May, 2005. One child of Mr. Pan and Ms. Wu is over and the other is under the age of 18.

Save as disclosed above, Mr. Pan does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules.

Mr. Mok Joe Kuen Richard ("Mr. Mok"), aged 51, is an executive Director of the Company. With over 20 years of experience in the financial services industry: employments with international accountancy firms such as KPMG, the Hong Kong-listed brokerage South China Group, Asian Capital Partners Group and the Hong Kong-listed banking group Dah Sing Financial Holdings. Mr. Mok is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Mok held a diploma in applied psychology from Hong Kong Baptist University and graduated with a Bachelor degree of Economics from the London School of Economics and Political Science, London University.

Mr. Mok does not have any relationships with other Directors, senior management, substantial Shareholders, or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Mok did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

The term of appointment of Mr. Mok is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Mr. Mok is subject to retirement by rotation and re-election in accordance with the article of association of the Company. He is entitled to a basic salary of approximately HK$2,557,500 per year (effective from 1st April, 2014) (which is covered by the service agreement) and will be paid monthly in arrears which is determined upon negotiation between Mr. Mok and the Company at arm's length on the basis of his previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions, and, is subject to review periodically as determined by the Company.

The interests of Mr. Mok in the Shares (within the meaning of Divisions 7 and 8 of Part XV of the SFO), was as follows:

Name of Director	Capacity/Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding
Mr. Mok	Beneficial owner	100,000	0.01%

Save as disclosed above, Mr. Mok does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

NON-EXECUTIVE DIRECTOR

Ms. Wu, aged 44, is a non-executive Director of the Company and a member of the audit committee of the Company (the "Audit Committee"). Ms. Wu co-founded the Group in 1993. In 1996, she co-founded and later became chief financial officer of AAC U.S.. She also co-founded Shenzhen Meiou in 1998, Changzhou AAC in 2000, and YEC Electronics Limited in 2001. Before Mr. Du Kuang-Yang joined the Group as the chief operating officer in March 2005, Ms. Wu was responsible for the day-to-day operations of these companies. Ms. Wu graduated from 常州衛生學校 (Changzhou School of Public Health) in 1989. Ms. Wu is the spouse of Mr. Pan, the executive Director, CEO and a substantial Shareholder of the Company. She has directorship in a number of subsidiaries of the Company.

Save as disclosed above, Ms. Wu does not have any relationships with other Directors, senior management, substantial Shareholders, or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Ms. Wu did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and she does not hold any other position in the Group.

The term of appointment of Ms. Wu is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Ms. Wu is subject to retirement by rotation and re-election in accordance with the article of association of the Company. She is entitled to the director's fee of US$57,500 per year (which is covered in the letter of appointment) or such other sum as the Company may from time to time decide, which is determined upon negotiation between Ms. Wu and the Company at arm's length on the basis of her previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions. Her director's fee is subject to Shareholders' approval at the annual general meeting.

The interests of Ms. Wu in the Shares (within the meaning of Divisions 7 and 8 of Part XV of the SFO), were as follows:

Name of Director	Capacity/Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding
Ms. Wu	Beneficial owner/interest of spouse and child under 18/personal and family interest	495,317,652 (Note)	40.34%

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Note:

Ms. Wu beneficially owns 262,820,525 shares. Ms. Wu is also deemed or taken to be interested in the following shares for the purposes of the SFO:

(i) 120,952,005 shares representing the aggregate of (a) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan; and (b) 69,512,565 shares which are beneficially owned by Mr. Pan; and as Mr. Pan is her spouse, she is deemed to be interested in such 120,952,005 shares; and

(ii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Exempt Trust dated 10th May, 2005. One child of Mr. Pan and Ms. Wu is over and the other is under the age of 18.

Save as disclosed above, Ms. Wu does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koh Boon Hwee ("Mr. Koh"), aged 64, is the Chairman of the Board and an independent non-executive Director. He is Chairman of the remuneration committee (the "Remuneration Committee") and a member of the Audit Committee. Mr. Koh has been appointed to the Board since 9th November, 2004. He brings with him extensive management experience and leadership, and has over 30 years of experience in the IT-related and electronics industries.

He is currently the Chairman (executive) of Credence Partners Pte Ltd, which manages Credence Capital, a private equity fund focused on SMEs in South East Asia.

He is also currently the Chairman (executive) of Sunningdale Tech Ltd and Chairman (non-executive) of Yeo Hiap Seng Limited and Far East Orchard Ltd (all publicly-listed in Singapore). Mr. Koh also serves on the Board of Agilent Technologies, Inc. (publicly-listed in the US). He is Chairman (non-executive) of Rippledot Capital Advisers Pte Ltd as well as FEO Hospitality Asset Management Pte Ltd and FEO Hospitality Trust Management Pte Ltd, both private companies, which manage Singapore listed Far East Hospitality Trust.

In the non-profit sector, he is Chairman of the Nanyang Technological University Board of Trustees in Singapore and a Director of the Hewlett Foundation in the US.

Mr. Koh was previously Chairman of DBS Group Holdings Ltd (2005-2010), Singapore Airlines Ltd (2001-2005), SIA Engineering Company Ltd (2003-2005), Singapore Telecom Group and its predecessor organizations (1986-2001), Omni Industries Ltd (1996-2001), all being listed companies in Singapore; Executive Chairman of Wuthelam Holdings Pte Ltd (1991-2000) and before that, Managing Director of Hewlett Packard Singapore (1985-1990), where he started his career in 1977. Mr. Koh was also a Director of Temasek Holdings Pte Ltd (1996-2010), and a member of the Executive Committee of the Board (1997-2010).

Mr. Koh graduated from the Imperial College, University of London, with a Bachelor's Degree (First Class Honours) in Mechanical Engineering. Mr. Koh also holds a Master's Degree in Business Administration (Distinction) from Harvard Business School. Mr. Koh was awarded Singapore's Public Service Star in 1991, the Meritorious Service Medal in 1995, and the Distinguished Service Order in 2008 by the President of Singapore.

Mr. Koh does not have any relationships with other Directors, senior management, substantial Shareholders, or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Koh did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and he does not hold any other position in the Group.

The term of appointment of Mr. Koh is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Mr. Koh is subject to retirement by rotation and re-election in accordance with the article of association of the Company. He is entitled to the director's fee of US$120,750 per year (which is covered by the letter of appointment) or such other sum as the Company may from time to time decide, which is determined upon negotiation between Mr. Koh and the Company at arm's length on the basis of his previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions. His director's fee is subject to Shareholders' approval at the annual general meeting.

The interests of Mr. Koh in the Shares (within the meaning of Divisions 7 and 8 of Part XV of the SFO), was as follows:

Name of Director	Capacity/Nature of Interest	Number of Ordinary Shares	Approximate percentage of shareholding
Mr. Koh	Beneficial owner	795,562	0.06%

Save as disclosed above, Mr. Koh does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

Dato' Tan Bian Ee ("Dato' Tan"), aged 68, was appointed as an independent non-executive Director, the Chairman of the nomination committee (the "Nomination Committee") and a member of the Remuneration Committee of the Company on 11th September, 2009. In December 2014, he was re-appointed as the CEO and executive Director of MFS Technology (S) Pte Ltd., a company listed in Singapore from which he retired in February 2014. He stepped down from Singapore Airlines Engineering Company on July 2010 after 6 years of service. Dato' Tan was the chief operating officer of Avago Technologies and Worldwide Sales and Global Operations prior to his retirement in February 2009. He joined Hewlett-Packard in 1973 and was promoted to Hewlett-Packard Malaysia Managing Director in 1989. He was then appointed as the President of Agilent Technologies Malaysia and Singapore in 1999 when Hewlett-Packard spun off its Semiconductor Component Operations to form Agilent Technologies Inc.. Dato' Tan has been council member in the Industrial Coordination Council under the Ministry of International Trade & Industry of Malaysia since 2000. Dato' Tan was a Director of Singapore Workforce Development Agency under the Singapore Ministry of Manpower from 2004-2005. He was also the Northern Region Chairman for Young Enterprise from 2003-2004, a community educational programme under the auspices of the American Malaysian Chamber of Commerce and a founder member of Penang Skills Development Corporation.

Dato' Tan holds a Diploma in Medical Laboratory Technology and Management Studies, as well as a Master of Business Administration with Distinctions from the Golden Gate University. He was awarded the Pingat Kelakuan Tertinggi (Exemplary Leadership Award), Darjah Johan Negeri (DJN – Second Highest State Award) and the Darjah Setia Pangkuan Negeri which carries the title Dato' (DSPN) in 1991, 1995 and 1999 respectively from the State Government of Penang, Malaysia.

Dato' Tan does not have any relationships with other Directors, senior management, substantial Shareholders, or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Dato' Tan did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and he does not hold any other position in the Group.

The term of appointment of Dato' Tan is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Dato' Tan is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Dato' Tan is entitled to a director's fee of US$48,875 per year (which is covered in the letter of appointment) or such other sum as the Company may from time to time decide, which is determined upon negotiation between Dato' Tan and the Company at arm's length on the basis of his previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions. His director's fee is subject to Shareholders' approval at the annual general meeting.

Dato' Tan does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

Mr. Poon Chung Yin Joseph ("Mr. Poon"), aged 60, was appointed as an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee of the Company on 5th October, 2009. He is group managing Director and deputy CEO of a private company and an independent non-executive Director of Hysan Development Company Ltd., a company listed in Hong Kong. Mr. Poon was formerly the managing Director and deputy chief executive of Hang Seng Bank Limited and had held several senior management posts in HSBC Group and a number of international renowned financial institutions. Mr. Poon is a committee member of the Chinese General Chamber of Commerce. Previously, he was also the Chairman of Hang Seng Index Advisory Committee of Hang Seng Indexes Company Limited and a member of the Board of Inland Revenue of Hong Kong Special Administrative Region and the Environmental and Conservation Fund Investment Committee. Mr. Poon holds a Bachelor of Commerce degree from the University of Western Australia, is a member of Chartered Accountants Australia and New Zealand, and the Hong Kong Institute of Certified Public Accountants. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors.

Mr. Poon does not have any relationships with other Directors, senior management, substantial Shareholders, or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Mr. Poon did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and he does not hold any other position in the Group.

The term of appointment of Mr. Poon is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Mr. Poon is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. He is entitled to the director's fee of US$77,625 per year (which is covered by the letter of appointment) or such other sum as the Company may from time to time decide, which is determined upon negotiation between Mr. Poon and the Company at arm's length on the basis of his previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions. His director's fee is subject to Shareholders' approval at the annual general meeting.

Mr. Poon does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

Ms. Chang Carmen I-Hua ("Ms. Chang"), aged 67, was appointed as an independent non-executive Director, a member of the Remuneration Committee and a member of the Nomination Committee of the Company on 3rd May, 2010. She was appointed as an independent non-executive director of Semiconductor Manufacturing International Corporation on 1st September, 2014, a company listed in Hong Kong and USA. Ms. Chang is a partner at New Enterprise Associates ("NEA"), a U.S. venture fund, and serves as its Managing Director, Asia (ex-India). Prior to joining NEA, Ms. Chang was a U.S. corporate and securities lawyer and was involved in many of the seminal technology transactions and companies in China, including the first foreign investments in China Netcom, Baidu and other companies and in numerous other capital markets and merger and acquisition transactions involving Lenovo, Foxconn, Google, Tencent, Netease, CEC, China Mobile, Spreadtrum, SMIC and others.

In addition, Ms. Chang is an affiliate of the Center for International Security and Cooperation of Stanford University and a fellow for the Arthur and Toni Rembe Rock Center for Corporate Governance, a joint initiative of Stanford Law School and the Stanford Graduate School of Business.

Ms. Chang is a graduate of Stanford Law School and also holds a Master's Degree in Modern Chinese History from Stanford University.

Ms. Chang does not have any relationships with other Directors, senior management, substantial Shareholders, or controlling Shareholders (as defined in the Listing Rules) of the Group. Save as aforesaid, Ms. Chang did not hold other directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years and she does not hold any other position in the Group.

The term of appointment of Ms. Chang is set out in the "Directors and Service Contracts" section of the Directors' Report on page 18 of this annual report. Ms. Chang is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. She is entitled to the director's fee of US$46,000 per year (which is covered by the letter of appointment) or such other sum as the Company may from time to time decide, which is determined upon negotiation between Ms. Chang and the Company at arm's length on the basis of her previous experience, professional qualifications, responsibilities to be involved in the Company and the amount of time devoted to the Company's business as well as the current financial position of the Company and the prevailing market conditions. Her director's fee is subject to Shareholders' approval at the annual general meeting.

Ms. Chang does not hold any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short position which they are deemed or taken to have under such provisions of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Jack Duan ("Mr. Duan"), aged 42, is the new chief operating officer of the Company effective from 1st October, 2014. Mr. Duan joined the Company on 1st January, 2014 as Senior Vice President of Sales and Marketing. Mr. Duan is experienced in the electronics sales, marketing industry and global supply management. Mr. Duan has held senior sales, marketing and global supply management positions at various electronics companies in the PRC and the USA, such as Foxconn and Hewlett-Packard. Mr. Duan obtained Master degrees in Engineering from University of Southern California and University of California, San Diego, and Bachelor of Science degree in Engineering Physics from Peking University in 1996.

Mr. David Plekenpol ("Mr. Plekenpol"), aged 55, is the chief strategy officer of the Company. Mr. Plekenpol is responsible for future business strategy, including assessing and identifying technology trends and development, for the Company and reports directly to the CEO. Mr. Plekenpol has spent twenty years in the telecom industry, with executive positions in both Lucent and Alcatel. He founded two Silicon Valley VC-backed startup companies, led sales & marketing for an optical component startup in Scotland and spent two years with a VC-backed Chinese mobile design startup in Shanghai before joining AAC Technologies. He has an undergraduate degree from Dartmouth College and an MBA from the Graduate School of Business at Stanford University. Mr. Plekenpol is a member of the International Advisory Board for the University of Edinburgh Business School. Mr. Plekenpol joined AAC Technologies in February 2010.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

An interim dividend of HK$0.25 was paid during the year. The Directors have resolved to recommend the payment of a final dividend of HK$0.71 per share.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of the share premium accounts and the contributed surplus which amounted to RMB1,774,335,000 (2013: RMB1,625,682,000). Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for distribution or paying dividends to Shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Articles of Association of the Company and there are no restrictions against such rights under the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:
Mr. Benjamin Zhengmin Pan (CEO)
Mr. Mok Joe Kuen Richard

Non-executive Director:
Ms. Ingrid Chunyuan Wu

Independent non-executive Directors:
Mr. Koh Boon Hwee (Chairman)
Mr. Poon Chung Yin Joseph
Dato' Tan Bian Ee
Ms. Chang Carmen I-Hua

In accordance with Article 87 of the Company's Articles of Association, Mr. Pan, Mr. Koh and Ms. Chang will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Mr. Pan has entered into a letter of appointment with the Company for a term from 23rd May, 2014 until the conclusion of the annual general meeting of the Company to be held in 2017, which can be terminated on whenever is the earlier of (i) the date of expiry of the above period; or (ii) ceasing to be a Director for any reason pursuant to the Company's Articles of Association or any other applicable law.

Mr. Mok has entered into a letter of appointment with the Company for a term from 6th October, 2012 until the conclusion of the annual general meeting of the Company to be held in 2015, which can be terminated on whenever is the earlier of (i) the date of expiry of the above period; or (ii) ceasing to be a Director for any reason pursuant to the Company's Articles of Association or any other applicable law.

Each of Ms. Wu, Mr. Koh, Mr. Poon, Ms. Chang and Dato' Tan has entered into a letter of appointment with the Company for a term from 23rd May, 2013 until the conclusion of the annual general meeting of the Company to be held in 2015, which can be terminated on whenever is the earlier of (i) the date of expiry of the above period; or (ii) ceasing to be a Director for any reason pursuant to the Company's Articles of Association or any other applicable law.

The Company will enter into a new letter of appointment with Mr. Mok, Ms. Wu, Mr. Koh, Mr. Poon, Ms. Chang and Dato' Tan for a term from the date of 2015 annual general meeting until the conclusion of 2017 annual general meeting of the Company.

Other than as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company confirms that it has received from each of its independent non-executive Directors an annual confirmation of their independence pursuant to rule 3.13 of the Listing Rules on the Stock Exchange, and it still considers that the independent non-executive Directors are independent.

Biographical details of the Directors and senior management of the Group as at the date of the annual report are set out on pages 9 to 16.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2014, the beneficial interests of the Directors and chief executive in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions) which they are taken or deemed to have taken under such provisions of the SFO and pursuant to the Model Code, were as follows:

Long positions in ordinary shares of US$0.01 each of the Company:

		Number of ordinary shares						
Name of Directors	Capacity	Personal interests	Joint interests	Corporate interests	Spouse interests	Other interests	Total number of shares	Percentage of the Company's issued share capital as at 31st December, 2014
Mr. Pan [(1)]	Beneficial owner/interest of child under 18 and spouse/interest of controlled corporation	69,512,565	–	51,439,440	262,820,525	111,545,122	495,317,652	40.34%
Ms. Wu [(2)]	Beneficial owner/interest of child under 18 and spouse	262,820,525	–	–	120,952,005	111,545,122	495,317,652	40.34%
Mr. Koh	Beneficial owner	795,562	–	–	–	–	795,562	0.06%
Mr. Mok	Beneficial owner	100,000	–	–	–	–	100,000	0.01%

Notes:

(1) Mr. Pan beneficially owns 69,512,565 shares. In addition, Mr. Pan is also deemed or taken to be interested in the following shares for the purpose of the SFO:

(i) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan;

(ii) 262,820,525 shares which are beneficially owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such 262,820,525 shares; and

(iii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Exempt Trust dated 10th May, 2005. One child of Mr. Pan and Ms. Wu is over and the other is under the age of 18.

(2) Ms. Wu beneficially owns 262,820,525 shares. Ms. Wu is also deemed or taken to be interested in the following shares for the purposes of the SFO:

(i) 120,952,005 shares representing the aggregate of (a) 51,439,440 shares which are beneficially owned by Silver Island Limited, a company wholly-owned by Mr. Pan; and (b) 69,512,565 shares which are beneficially owned by Mr. Pan and as Mr. Pan is her spouse, she is deemed to be interested in such 120,952,005 shares; and

(ii) 111,545,122 shares representing the aggregate of (a) 106,806,278 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10th May, 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendents, as beneficiaries of the Pan 2005 Exempt Trust dated 10th May, 2005. One child of Mr. Pan and Ms. Wu is over and the other is under the age of 18.

Other than as disclosed above, as at 31st December, 2014, none of the Directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register of interests required to be kept by the Company under Section 352 of the SFO.

SHARE OPTION SCHEME

Details of the Company's share option scheme (the "Scheme") adopted on 15th July, 2005 are set out in note 32 to the consolidated financial statements. The Company has not granted any option under the Scheme since its adoption.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company or their associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with the associate(s) of connected person(s) of the Company, which constitute continuing connected transactions for the Company under the Listing Rules:

(1) On 20th December, 2013, AAC New Power Development (Changzhou) Co., Ltd. (''AAC New Power") and 常州中科來方能源發展有限公司 (Changzhou Zhongke Laifang Power Development Co., Ltd. (''Changzhou ZKLF")) entered into 2014 Changzhou ZKLF Purchase Agreement, pursuant to which AAC New Power agreed to purchase electrolyte separator materials from Changzhou ZKLF for a term of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the terms of the 2014 Changzhou ZKLF Purchase Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Changzhou ZKLF Purchase Agreement will be RMB10.0 million, RMB20.0 million and RMB40.0 million for the three years ended 31st December, 2016 respectively.

(2) On 20th December, 2013, AAC New Power and 成都茵地樂電源科技有限公司 (Chengdu Yindile Power Supply Technologies Co., Ltd. (''Chengdu Yindile")) entered into the 2014 Chengdu Yindile Purchase Agreement, pursuant to which AAC New Power agreed to purchase aqueous binders from Chengdu Yindile for a term of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the terms of the 2014 Chengdu Yindile Purchase Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Chengdu Yindile Purchase Agreement will be RMB1.8 million, RMB3.8 million and RMB7.0 million for the three years ended 31st December, 2016 respectively.

(3) On 20th December, 2013, the Group and 常州市武進湖塘何家紅光沖件廠 (Wujin Hutang Hejia Hongguang Stamping Factory (''HGCJ")) entered into the 2014 HGCJ Agreement, pursuant to which the Group agreed to purchase packaging and stamping materials from HGCJ for a period of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the terms of the 2014 HGCJ Agreement, the annual caps in respect of the annual purchase amounts under the 2014 HGCJ Agreement will be RMB20.0 million, RMB26.0 million and RMB34.0 million for each of the three years ended 31st December, 2016 respectively.

(4) On 20th December, 2013, the Group and 常州市友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd. ("Changzhou Yousheng")) entered into the 2014 Yousheng Agreement, pursuant to which the Group agreed to purchase parts such as domes, ear cushions, insulation mats and resistance neeb for use in acoustic components from Changzhou Yousheng for a period of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the terms of the 2014 Yousheng Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Yousheng Agreement will be RMB55.0 million, RMB72.0 million and RMB93.0 million for the three years ended 31st December, 2016 respectively.

(5) On 20th December, 2013, the Group and 常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd. ("Changzhou Model")) entered into 2014 Changzhou Model Agreement, pursuant to which the Group agreed to purchase processed supplement materials used in the manufacturing process (e.g. modules and stamping components of acoustic products) by the Group from Changzhou Model for a period of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the terms of the 2014 Changzhou Model Agreement, the annual caps in respect of the annual purchase amounts under the 2014 Changzhou Model Agreement will be RMB51.0 million, RMB66.0 million and RMB90.0 million for the three years ended 31st December, 2016 respectively.

(6) In order to consolidate the negotiation process, on 20th December, 2013, the Group entered into the 2014 Jiangsu Yuanyu Agreements, pursuant to which 江蘇遠宇電子集團有限公司 (Jiangsu Yuanyu Electronics Group Co., Ltd. ("Jiangsu Yuanyu")) agreed to lease certain areas within the premises located at Yuanyu Technologies Building, Science & Education Mega Centre, Changzhou, Jiangsu Province, PRC to certain members of the Group as part of its factory and office space, for a period of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the annual rent payable under the 2014 Jiangsu Yuanyu Agreements, the annual caps in respect of the annual rent payable under the 2014 Jiangsu Yuanyu Agreements will be RMB7.5 million, RMB8.2 million and RMB9.2 million for each of the three years ended 31st December, 2016 respectively.

(7) On 20th December, 2013, two members of the Group (AAC Acoustic Technologies (Shenzhen) Co., Ltd. ("AAC Shenzhen") and AAC Kaitai (Shenzhen) Sci-Tech Development Co., Ltd. ("AAC Kaitai")) and 深圳市遠宇實業發展有限公司 (Shenzhen Yuanyu Industrial Development Co., Ltd. ("Shenzhen Yuanyu")) entered into the 2014 Shenzhen Yuanyu Agreements, pursuant to which Shenzhen Yuanyu agreed to lease (i) the premises located at Nanyou Tian'an Industry Zone, Nanshan, Shenzhen, PRC, to AAC Shenzhen as part of its factory for a period of one and a half years commencing from 1st January, 2014 to 30th June, 2015; and (ii) the premises located at Nanda Building, Nanshan, Shenzhen, PRC, to AAC Shenzhen and AAC Kaitai as their offices for a period of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the annual rent payable under the 2014 Shenzhen Yuanyu Agreements, the annual caps in respect of the annual rent payable under the 2014 Shenzhen Yuanyu Agreements will be RMB13.8 million, RMB12.0 million and RMB10.1 million for each of the three years ended 31st December, 2016 respectively.

On 27th August, 2014, AAC Shenzhen, AAC Kaitai and Shenzhen Yuanyu entered into the Supplemental 2014 Shenzhen Yuanyu Agreements, pursuant to which they agreed to (i) extend the term of the lease for the Shenzhen Yuanyu Nanyou Premises to three years, commencing from 1st January, 2014 to 31st December, 2016; and (ii) increase the rental area of the Shenzhen Yuanyu Nanda Premises by 2,460.47 sq.m. from 1st January, 2015 onwards. Based on the annual rent payable under the Supplemental 2014 Shenzhen Yuanyu Agreements, the annual caps in respect of the annual rent payable under the Supplemental 2014 Shenzhen Yuanyu Agreements will be RMB13.8 million, RMB16.9 million and RMB17.5 million for each of the three years ended 31st December, 2016 respectively.

(8) On 20th December, 2013, AAC Shenzhen and Wu's Mother entered into the 2014 Wu's Mother Agreements, pursuant to which Wu's Mother agreed to renew the lease of the same properties located at Nanyou Tian'an Industry Zone, Nashan, Shenzhen, PRC, to AAC Shenzhen as part of its factory for periods (i) commencing from 1st January, 2014 to 31st December, 2016 (in respect of 1st Floor and 2nd Floor, Block 8) and (ii) commencing from 1st January, 2014 to 30th June, 2015 (in respect of 3rd Floor, Block 8 and 6th Floor, Block 5). Based on the annual rent payable under the 2014 Wu's Mother Agreements, the annual caps in respect of the annual rent payable under the 2014 Wu's Mother Agreements will be RMB3.8 million, RMB2.8 million and RMB1.8 million for each of the three years ended 31st December, 2016 respectively.

On 27th August, 2014, AAC Shenzhen and Wu's Mother entered into the Supplemental 2014 Wu's Mother Agreements, pursuant to which they agreed to extend the term of the lease for the premises of 3rd Floor, Block 8 and 6th Floor, Block 5 to three years, commencing from 1st January, 2014 to 31st December, 2016 and increase the monthly rental for the aforementioned premises from 1st July, 2015 onwards. Based on the annual rent payable under the Supplemental 2014 Wu's Mother Agreements, the annual caps in respect of the annual rent payable under the Supplemental 2014 Wu's Mother Agreements will be RMB3.8 million, RMB4.2 million and RMB4.5 million for each of the three years ended 31st December, 2016 respectively.

(9) On 20th December, 2013, certain members of the Group entered into the 2014 Changzhou LFY Agreements, pursuant to which 常州來方圓電子有限公司 (Changzhou Laifangyuan Electronics Co., Ltd. ("Changzhou LFY")) agreed to renew the lease of the same properties located in Changzhou, Jiangsu Province, PRC as part of its factory, for a period of three years commencing from 1st January, 2014 to 31st December, 2016. Based on the annual rent payable under the 2014 Changzhou LFY Agreements, the annual caps in respect of the annual rent payable under the 2014 Changzhou LFY Agreements will be RMB1.5 million, RMB1.8 million and RMB2.0 million for each of the three years ended 31st December, 2016 respectively.

The independent non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof (including the relevant annual caps as set out in the Company's announcements dated 20th December, 2013 and 27th August, 2014) are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account the factors stated in these announcements. Details of the above transactions are set out in the Company's announcements dated 20th December, 2013 and 27th August, 2014.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions for the year ended 31st December, 2014 disclosed by the Group from pages 20 to 22 of the annual report in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The continuing connected transactions entered into by the Group for the year ended 31st December, 2014:

(a) have received the approval of the Directors of the Company;

(b) have been entered into in accordance with the terms of the relevant agreement governing such transactions;

(c) have not exceeded the relevant cap amount for the financial year ended 31st December, 2014 disclosed in previous announcements; and

(d) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties.

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

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 37 to the consolidated financial statements and include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2014, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors and chief executive, showed that the following persons held interests or short positions in the Company's shares:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued share capital as at 31st December, 2014
JPMorgan Chase & Co. (1)	Beneficial owner/Investment Manager/ Trustee/ Custodian	208,638,658(L)	4,994,039(L)	16.99%
		15,973,541(S)	163,943(S)	1.30%
		43,670,046(P)	–	3.55%
The Capital Group Companies, Inc. (2)	Interest of controlled corporation	206,812,850(L)	–	16.84%
Schroders Plc (3)	Investment Manager	61,444,000(L)	71,000(L)	5.00%

L – Long position
S – Short position
P – Lending pool

Notes:

(1) JPMorgan Chase & Co., through its various 100% controlled corporations, and 49% controlled corporation (China International Fund Management Co Ltd), is interested in (i) an aggregate of 208,638,658 shares and listed derivative interests of 520,140 shares and unlisted derivative interests of 4,473,899 shares with physically settled in long position; and (ii) an aggregate of 15,973,541 shares and listed derivative interests of 90,500 shares and unlisted derivative interests of 73,443 shares with cash settled in short position. Among them, 111,545,122 shares held by J.P. Morgan Trust Company of Delaware as a trustee representing the same batch of other interests of Mr. Pan and Ms. Wu as disclosed in the section of "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" above.

In addition to the above, JPMorgan Chase & Co. is also interested in 43,670,046 shares in lending pool as described in the SFO. The term "lending pool" is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorised to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished.

(2) 206,812,850 shares in long position comprise 205,783,350 shares held by Capital Research and Management Company and 1,029,500 shares held by Capital International, Inc.. By virtue of Capital Group International, Inc.'s 100% interest in Capital International, Inc., Capital Research and Management Company's 100% interest in Capital Group International, Inc., each of Capital Group International, Inc. and Capital Research and Management Company is deemed to be interested in 1,029,500 shares held by Capital International, Inc.. And by virtue of The Capital Group Companies, Inc.'s 100% interest in Capital Research and Management Company, The Capital Group Companies, Inc. is deemed to be interested in 206,812,850 shares held by Capital Research and Management Company.

(3) Schroders Plc through its various 100% controlled corporations, is interested in an aggregate of 61,444,000 shares and unlisted derivative interests of 71,000 shares with cash settled in long position.

Save as the interests and short positions disclosed above, as at 31st December, 2014, so far as was known to any Directors of the Company, no other persons had an interest or short position in the shares, equity derivatives, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or their interests were recorded under Section 336 of the SFO or, who were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

EMOLUMENT POLICY

The Board has delegated the Remuneration Committee with assisting the Board on formulating remuneration policy and reviewing the emoluments of senior management and Directors of the Company. Responsibilities and work performed in 2014 by the Remuneration Committee are stated on pages 33 to 34 in the Corporate Governance Report, and, details of the emolument policy are described on page 34.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the year ended 31st December, 2014.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 73.9% of the Group's total sales while the sales attributable to the Group's largest customer was approximately 35.1% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers were 29.9% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 10.8% of the Group's total purchases.

None of the Directors, including Mr. Pan and Ms. Wu, their associates or any Shareholders, which to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in the share capital of the five largest customers or suppliers of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors of the Company or their respective associates (as defined in the Listing Rules) were considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses of which the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the year ended 31st December, 2014.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the annual general meeting of the Company to re-appoint Deloitte as auditor of the Company.

On behalf of the Board
AAC Technologies Holdings Inc.

Koh Boon Hwee
Chairman

25th March, 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE POLICY AND PRACTICES

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of the Shareholders and other stakeholders of the Company.

Our Board of Directors is at the centre of our corporate governance structure regularly reviewing, refining and overseeing enforcement of the Company's corporate governance practices. The Board is of the view that the current framework and internal established processes will enable the Company to comply with applicable statutory and regulatory requirements and, where appropriate, to exceed same by embracing the latest best corporate governance practices. The Board recognizes the need to continuously adapt and improve our corporate governance policies and practices in light of our experience, regulatory requirements, international developments and investor expectations, and is committed to high standards of disclosure. The Company's Corporate Governance framework comprises the following key components:

I. Board of Directors and Executive Management
II. Board Committees
III. The Corporate Governance Code
IV. Legal and Regulatory Compliance
V. Internal Audit, Risk Management and internal control
VI. Statutory Audit
VII. Code of Conduct and Whistleblowing Policy
VIII. Corporate Disclosure
IX. Company Secretary
X. Shareholders' Rights

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The overall stewardship of the Company's operations is vested in the Board. The Board's responsibilities are to formulate, regulate and evaluate the strategic direction and risk appetite of the Company, management policies and the effectiveness with which management implements its policies. The Board has reviewed the day-to-day operating requirements of the Company and has preset designated financial limits for a schedule of matters delegated for management to operate and manage the business. Management is to submit business plans or investment proposals to the Board if they fall outside the designated limits. The Board also reviews and approves the annual operating and capital budgets, and when appropriate, incremental items/amounts outside the approved budgets will be raised to the Board for approval. Under the supervision of the CEO, management is responsible for the daily operations of the Group. The CEO and senior management report on business operations, financial results and strategic matters to the Board on a quarterly basis, and provide key updates on a monthly basis.

During this year, the Board considered and/or resolved the following matters:

- reviewed the strategic plans for the Company's core businesses to meet short-term objectives and to strengthen medium-term competitiveness; ongoing assessment of the Company's technology capabilities, with a view to enabling the Company to reach another level of commercial success and sustainability; reviewed further opportunities in our core business portfolio with management;

- reviewed and considered the annual budget, disposals and acquisitions proposals and other significant operational and financial matters;

- reviewed and approved new and renewal of continuing connected transactions;

- reviewed terms of reference for the Audit Committee, Remuneration Committee and Nomination Committee;

- reviewed accounting principles and practices and approved the relevant quarterly, interim and annual results and financial statements;
- reviewed, recommended or declared dividend payments;
- performed the duties of corporate governance functions under code provision D.3.1 of the Corporate Governance Code (the "CG Code") in Appendix 14 to the Listing Rules;
- reviewed the Board Diversity Policy;
- reviewed the Corporate Disclosure Policy and Whistleblowing Policy;
- reviewed and evaluated the Enterprise Risk Management (ERM) framework for the Group;
- reviewed and evaluated internal audit reports and the effectiveness of the risk management and internal control systems over financial, operational and compliance matters; and
- reviewed the Company's policies and practices with regard to environmental, social and governance (ESG) issues and published its first Sustainability Report on our website for the year ended 31st December, 2013 in October 2014.

The Board currently comprises two executive Directors, a non-executive Director and four independent non-executive Directors. Since the first date of listing, the roles of Chairman and CEO are separated and are not to be performed by the same individual, as stipulated under the code provision A.2.1 of the CG Code. The Chairman of the Board is Mr. Koh, an independent non-executive Director, and the CEO is Mr. Pan. The number of independent non-executive Directors of the Company represents at least one-third of the Board under the Listing Rules. An updated list of Directors identifying their roles and functions and whether they are independent non-executive Directors has been published on the websites of the Stock Exchange and the Company.

Ms. Wu, a non-executive Director, is not considered as independent, as she is the spouse of the CEO and together with the CEO and her family, has a substantial interest (holding approximately 40.34% interest as at the date of this report) in the Company. Her knowledge and experience of the business of the Company and the industry in which the Company operates continue to contribute valuably to the Company. In common with all Directors, she is aware of her responsibilities as a Director to all Shareholders.

The Directors have disclosed the number and nature of offices held in public companies or organizations and other significant commitments. The Board will regularly review the contribution required by a Director to perform his/her responsibilities to the Company and whether he/she is spending sufficient time performing his/her duties.

Directors are requested to declare their personal or business interests, if any, in any transactions to be considered by the Board and such declaration of interest would be reviewed and discussed at the beginning of Board meetings and, as appropriate, Directors will or will be asked to withdraw from the meetings as appropriate. During the year 2014, there was one occasion when an executive Director and a non-executive Director declared their interests and withdrew from the relevant discussions at the Board meeting.

The Company has received, from each of the independent non-executive Directors, an annual written confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules. Based on the assessment conducted by the Nomination Committee, the Company considers that all of the independent non-executive Directors are independent.

Board meetings are held regularly at least four times a year. Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required, such as the budget for 2015 which was approved in a Board meeting in the Company's regional headquarters in Singapore. In addition, the non-executive Directors held meetings in the absence of the executive Directors during 2014 to evaluate the performance of the executive Directors and the effectiveness of the Board. During the year ended 31st December, 2014, the Board convened a total of 6 Board meetings and the annual general meeting. Attendance of the Directors at these meetings is as follows:

Directors	Attendance/ Board meetings	AGM
Executive Directors		
Mr. Benjamin Zhengmin Pan (CEO)	5/6	1/1
Mr. Mok Joe Kuen Richard	6/6	1/1
Non-executive Director		
Ms. Ingrid Chunyuan Wu	4/6	1/1
Independent Non-executive Directors		
Mr. Koh Boon Hwee (Chairman)	6/6	1/1
Mr. Poon Chung Yin Joseph	6/6	1/1
Dato' Tan Bian Ee	4/6	1/1
Ms. Chang Carmen I-Hua	5/6	–/1

Note:

During the year, Mr. Pan and Ms. Wu were required to excuse themselves from attending a Board meeting that discussed a continuing connected transaction in order to avoid conflict of interest at the meeting.

Sufficient notice, typically not less than 14 calendar days, is given for regular Board meetings to all Directors enabling them to attend, and reasonable notice will be given in case of other Board meetings. The Directors received details of agenda items well in advance of each Board meeting. Board minutes are kept by the company secretary and are sent to the Directors for review before sign-off and for their records. They are also open for inspection by the Directors and the external auditors.

In addition to attendance at meetings and review of papers and circulars sent by the management, all Directors recognized the importance of continuous professional development. During the year ended 31st December, 2014, the Company also arranged statutory update briefings organized by external legal compliance firm which were attended by all Directors. All Directors had provided to the Company records of training they received during the year, such trainings including self-reading of regulatory and capital markets updates, attending in-house briefing organized by the Company and/or other listed issuers, and attending seminars organized by professional institutions. The Board is of the view that all Directors have demonstrated sufficient participation in developing and refreshing required knowledge and skills as part of the continuous professional development programme during the year.

BOARD COMMITTEES

The Board has established separate Board Committees with defined terms of reference to assist the full Board in discharging its governance and other responsibilities, particularly over proper financial reporting and disclosure; internal control and risk management; size, structure and diversity of the Board; and remuneration of Directors and senior management.

The three Board committees, all chaired by independent non-executive Directors, are:

- Audit Committee;
- Nomination Committee; and
- Remuneration Committee.

Each of these Board committees has produced a report which is set out below. Their terms of reference, including their duties, have been published on the websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee was established in April 2005 and is currently chaired by Mr. Poon (an independent non-executive Director) with two other members, Mr. Koh (Chairman of the Board and an independent non-executive Director) and Ms. Wu (a non-executive Director).

The Audit Committee's responsibilities include the oversight of the integrity of the Company's financial statements and of the Company's system of risk management and internal control. The Audit Committee needs to oversee management while ensuring that it does not step into the management's role. The Audit Committee relies on management's assessment of key risks and mitigating controls at each major operating unit and on internal audit to provide an objective view on how effectively the risk assessments and controls are operating. The external auditors also provide the Audit Committee with assurance regarding the Company's financial reporting and any material weaknesses in internal control and risk management that they might come across as part of their review considered relevant to the audit.

The Audit Committee oversees the relationship and coordination between the Company, internal auditor and external auditors.

Adopting a recommended best practice in the CG Code, the Company, since the first date of listing, has been announcing and publishing quarterly financial results. It is believed that Shareholders would be better informed about the performance and business progress of the Company with quarterly reporting. And as such, the Audit Committee is involved in the review of the quarterly, half-yearly and annual results. It meets at least four times a year and whenever required, and meets the external auditors at least twice a year, in the absence of management at least once a year.

During the financial year ended 31st December, 2014, the Audit Committee held 4 meetings and the Audit Committee Chairman had an additional audit planning meeting in 2014 with executive director and the internal auditor to review the three year cycle audit plan and other governance matters. An additional meeting was held in February 2015 to prepare for the agenda items for the March 2015 Audit Committee meeting that reviewed the final 2014 financial results. To reinforce the Company's ERM focus, high risk areas identified in the external auditor's planning memorandum were discussed and special internal audit procedures were agreed where deemed appropriate. Details of members' attendance at the regular quarterly meetings are as follows:

Members	Attendance/ Committee meetings
Mr. Poon Chung Yin Joseph	4/4
Mr. Koh Boon Hwee	4/4
Ms. Ingrid Chunyuan Wu	4/4

Between 1st January, 2014 and the date of this Report (the "Relevant Period"), the Audit Committee discharged its responsibilities in its review of the quarterly, half-yearly and annual results, system of risk management and internal control and its other duties on corporate governance. The Committee reviewed the Financial Statements for the year ended 31st December, 2014, including the Group's adopted accounting principles and practices, and significant judgment and estimation issues, in conjunction with the internal and external auditors. The Committee also reviewed the compliance by the Company with the CG Code throughout the year ended 31st December, 2014. All continuing connected transactions/connected transactions are first reviewed by the Audit Committee before recommending to the full Board, including all independent non-executive Directors, for approval and action.

The work performed by the Audit Committee in 2014 included reviews of:

- the 2013 annual report including the Corporate Governance Report, the Directors' Report and Financial Statements for the year ended 31st December, 2013 and the annual results announcement, with a recommendation to the Board for approval;

- the 2014 first quarterly results including the Group's first quarterly financial statements for the three months ended 31st March, 2014 and the relevant results announcement, with a recommendation to the Board for approval;

- the 2014 interim report including the Group's interim financial statements for the six months ended 30th June, 2014 and the interim results announcement, with a recommendation to the Board for approval;

- the 2014 third quarterly results including the Group's third quarterly financial statements for the nine months ended 30th September, 2014 and the relevant results announcement, with a recommendation to the Board for approval;

- compliance by the Company with the CG Code throughout the year ended 31st December, 2013 and throughout the six months ended 30th June, 2014;

- the Company's compliance with the Listing Rules, Companies Laws of the Cayman Islands, Companies Ordinance and SFO throughout the year ended 31st December, 2014. To the best of knowledge of the Audit Committee's members, no breaches were identified;

- the report and management letter submitted by external auditor, which summarized matters arising from their audit on the Group for the year ended 31st December, 2013, including auditing, accounting and tax matters, and internal controls, together with management's progress in addressing matters raised, and the confirmation from auditors that there were no high risk matters were identified which were not satisfactorily resolved or being addressed;

- the audit fees payable to external auditor for the year ended 31st December, 2013 for approval by the Board;

- the effectiveness of the external auditors giving due consideration to the quality and contents of their reports to the Audit Committee, feedback from management and compliance with relevant regulatory and professional requirements, with a recommendation for their re-appointment for the financial year 2014, subject to final approval by Shareholders (given on 23rd May, 2014);

- the safeguard of external auditor objectivity and independence in proposed engagement in respect of audit related and permissible non-audit services;

- the staffing and resources of the Group's Internal Audit department and the Group internal audit review of 2014 and audit plan for 2014 with areas of emphasis identified;

- the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function;

- the ERM initiative, from the evaluation of independent advisers' recommended frameworks, to the implementation of the chosen model across the business units as well as the ongoing updates on risk identification, assessment, management and improvement; and

- Whistleblowing reports.

On 21st March, 2015, the Audit Committee reviewed this Annual Report, including the Corporate Governance Report, the Director's Report and Financial Statements for the year ended 31st December, 2014 and the annual results announcement with a recommendation to the Board for approval. The Audit Committee reviewed changes in accounting policies arising from revised financial reporting standards, the internal audit review for 2014 and internal audit plan for 2015. It met with the external auditors and discussed their report to management. Overall compliance with Code Provisions of CG Code and other legal and regulatory compliance matters were also reviewed.

Nomination Committee

The Nomination Committee was established in April 2005 and is currently chaired by Dato' Tan (an independent non-executive Director) with two other members, Mr. Poon (an independent non-executive Director) and Ms. Chang (an independent non-executive Director).

The Nomination Committee is responsible for reviewing, advising and making recommendations to the Board on matters in relation to the structure, size and diversity of the Board, the appointment and re-appointment of Directors and the assessment on independence of independent non-executive Directors, and ensuring the proper and transparent procedures for the appointment and re-appointment of Directors.

The current practice to appoint new Directors falls on the Nomination Committee to identify, assess and nominate suitable candidates, including those proposed by the Shareholders, by considering their knowledge, skill and experience, and all valid nomination of candidates, accompanied with details of their biographical backgrounds, would be presented to the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's integrity, experience and qualifications relevant to the Company's business. It is believed that members of the Nomination Committee collectively would have required relevant knowledge and skills to identify, invite and evaluate qualifications of nominated candidates for directorship.

The Nomination Committee convened 1 meeting during the year ended 31st December, 2014 to review the structure, size and composition of the Board and Board Diversity Policy, to assess the independence of independent non-executive Directors, to consider the renewal of terms of appointment of independent non-executive Directors, and recommending to the Board on re-election of retiring Directors. Details of the attendance of its meetings are as follows:

Members	Attendance/ Committee meeting
Dato' Tan Bian Ee	1/1
Mr. Poon Chung Yin Joseph	1/1
Ms. Chang Carmen I-Hua	1/1

The Nomination Committee has reviewed and recommended to the Board the terms of appointment of the non-executive Directors (including independent non-executive Directors), which are set out in the "Director and service contracts" section of the "Directors' Report" on page 18 of this Annual Report. Furthermore, in relation to the requirement set out in the Company's articles of association and in compliance with the code provision A.4.2 of the CG Code, all Directors (including executive Directors, non-executive Director and independent non-executive Directors) are subject to retirement by rotation at least once every three years and the annual list of retiring Directors are reviewed and agreed by the Nomination Committee.

During the year, the Nomination Committee has reviewed the Board composition to ensure that the Company meets the Board diversity required by the Listing Rules. Its terms of reference has been reviewed and continued to be adopted such that the Directors comprise a wide range of business, operations, technology, financial and legal experience, and, based on diversity perspectives, come from different gender, age, cultural and educational background, ethnicity and varied lengths of service at the Company.

The Nomination Committee has reviewed and assessed the regular updates submitted by the Directors on their commitments to other public companies or organizations, their personal and any other business interests, and, any circumstances that may affect independence status of the independent non-executive Directors. The Nomination Committee is of the view that the balance of the current structure, size and diversity of the Board is adequate to its effective performance. Hence, during the year, there is no change of the directorship of the Company and the Board composition.

The Directors' biographical information is set out in the section headed "Biographies of Directors and Senior Management" on pages 9 to 15 of this Annual Report. Except for the family relationship between Mr. Pan and Ms. Wu, as disclosed in Directors' biographical information on pages 9 to 12 of this Annual Report, there is no financial, business, family or other material relationship between any members of the Board, and, in particular, between the Chairman and the CEO.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and has adopted a board diversity policy. A truly diverse Board will include and make good use of differences in the knowledge, skills, geographic and industry experience, background, ethnicity, gender and other qualities of Directors. These differences will be taken into account in determining the optimum composition and complementary of the Board. All Board appointments will be based on meritocracy while taking into account diversity including gender diversity.

Selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board and the strategic success of the Company.

The Board's composition under diversified perspectives was summarized as follows:

<table>
<tr><td rowspan="2">1.</td><td rowspan="2">Designation</td><td colspan="2">Executive Director (2)</td><td colspan="2">Non-executive Director (1)</td></tr>
<tr><td colspan="4">Independent Non-executive Director (4)</td></tr>
<tr><td>2.</td><td>Gender</td><td colspan="2">Male (5)</td><td colspan="2">Female (2)</td></tr>
<tr><td>3.</td><td>Ethnicity</td><td colspan="4">Chinese (7)</td></tr>
<tr><td>4.</td><td>Age group</td><td>61-70 (3)</td><td colspan="2">51-60 (2)</td><td>40-50 (2)</td></tr>
<tr><td>5.</td><td>Length of service (year)</td><td colspan="2">6-10 (4)</td><td colspan="2">1-5 (3)</td></tr>
<tr><td rowspan="4">6.</td><td rowspan="4">Skills, knowledge and professional experience [Note 1]</td><td colspan="2">Investment (5)</td><td colspan="2">Management & Commercial (5)</td></tr>
<tr><td colspan="2">Technologies & Manufacturing (4)</td><td colspan="2">Accounting & Finance (4)</td></tr>
<tr><td colspan="2">Investor Relations (4)</td><td colspan="2">Banking (2)</td></tr>
<tr><td colspan="2">Human Resources (2)</td><td colspan="2">Legal (1)</td></tr>
<tr><td>7.</td><td>Academic background</td><td colspan="4">University (5)</td></tr>
</table>

Notes:

1. Directors may possess multiple skills, knowledge and professional experience.

2. The numbers in brackets refer to the number of Directors under the relevant category.

The Nomination Committee reviewed the Board's composition under diversified perspectives and monitored the implementation of the Board Diversity Policy and considered that the Board Diversity Policy is effective. It is currently not required to set any measurable objectives for implementing the policy.

Remuneration Committee

The Remuneration Committee was established in April 2005 and is chaired by Mr. Koh (Chairman of the Board and an independent non-executive Director) with two other members, Dato' Tan (an independent non-executive Director) and Ms. Chang (an independent non-executive Director).

The responsibilities of the Remuneration Committee are to advise the Board in relation to the remuneration policy and structure of the executive Directors and senior management, and to review the fees and remuneration of the Chairman and other non-executive Directors prior to the annual general meeting. In addition, the Remuneration Committee considers management recommendation for key terms of new compensation and benefits plans and reviews management's remuneration proposals with reference to the Board's corporate goals and objectives.

The work performed by the Remuneration Committee in 2014 included reviews of:

- the policy for the remuneration package of executive Directors, assessing performance of executive Directors and approving the terms of executive Director's letter of appointment, and making recommendation to the Board;
- the Group performance for 2013 and 2014 and Group targets for 2014 and 2015;
- senior Executive remuneration, including annual incentive payments for 2013 and 2014 and annual pay review for 2014 and 2015; and
- remuneration of CEO and executive director.

The Remuneration Committee has adopted code provision B.1.2 (c) (ii) of the CG Code to make recommendation to the Board on the remuneration packages of the individual executive Directors and senior management of the Company.

The Remuneration Committee convened 1 meeting during the year ended 31st December, 2014. Details of the attendance of its meetings are as follows:

Members	Attendance/ Committee meeting
Mr. Koh Boon Hwee	1/1
Dato' Tan Bian Ee	1/1
Ms. Chang Carmen I-Hua	1/1

Emolument policy

The emolument policy of the employees of the Group is determined by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are reviewed and recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme and other performance-based schemes as incentives to the Directors and eligible employees. Details of the Scheme are set out in note 32 to the financial statements.

The remuneration of members of the senior management by band for the year ended 31st December, 2014 is set out below:

Remuneration bands	Number of individuals
HK$7,500,001 to HK$8,000,000	1
HK$2,500,001 to HK$3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the financial statements.

THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and confirmed that they met the Code Provisions of the CG Code as set out in Appendix 14 of the Listing Rules for the financial year ended 31st December, 2014. The Board has ensured that all Board Committees were represented through the Directors in attendance at that annual general meeting to answer questions that might be raised. To ensure a balanced understanding of the views of Shareholders is maintained by all independent non-executive Directors, the Company provides regular Shareholders' feedback from the Company's investor relations programme.

The Company has a track record of striving to exceed minimum Code provisions of CG Code. Since the first date of listing in Hong Kong, the Chairman has been an independent non-executive Director holding this role separate from the CEO's role. The Audit Committee has consistently met at least four times a year to review internal control and financial reporting matters ahead of Board meetings. To keep all non-executive Directors informed on a timely basis, updates on business operations and financial results are provided to them on a monthly basis. The Company already fulfilled the new requirement of Listing Rules of having at least one-third of the Board comprising independent non-executive Directors well before the effective date of 31st December, 2012. Since listing, the Company has adopted quarterly reporting of financial results. A significant proportion of the executive Directors' remuneration is linked to corporate and individual performances. A whistleblowing policy and system is in place. An ERM framework was adopted with the assistance of external professional advice ahead of the Stock Exchange consultation and conclusions in this connection.

Furthermore, the Company had early adopted the following past recommended best practices that are now Code Provisions:

– appropriate insurance cover in respect of legal action against the Directors has been arranged by the Company to cover them against costs, charges, expenses and liabilities incurred arising out of the corporate activities;

– the Company has facilitated the Chairman to execute his responsibilities towards the Board and Shareholders of the Company;

– the Company's Nomination Committee has been chaired by an independent non-executive Director and all three members are independent non-executive Directors; and

– the Company has disclosed details of remuneration payable to members of senior management by bands in our annual reports.

LEGAL AND REGULATORY COMPLIANCE

During the year, the Board had reviewed the Company's legal framework on implementing policies and practices to ensure the operations of the Company are in compliance with legal and regulatory requirements of all applicable jurisdictions.

The Company seeks to abide strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees (as defined in the CG Code) on terms not less exacting than the required standards set out in the Model Code for Securities Transaction by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding the Directors' securities transactions during the year ended 31st December, 2014. Furthermore, as discussed, the Nomination Committee has reviewed and assessed the information submitted by the Directors and is of the view that the Directors are in compliance with the required standard.

In addition, the Board in 2014 reviewed the Company's policies and practices with regard to environmental, social and governance (ESG) issues and has published its first Sustainability Report on our website for the year ended 31st December, 2013 in October 2014. We believe that the Sustainability Report, together with the Corporate Governance Report, will help to better explain the discharge of our ESG responsibilities to our stakeholders.

INTERNAL AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

The strategies of the Company are reviewed and discussed as part of the proceedings of the regular quarterly Board meetings.

The Board understands that there are daily operational risks in achieving these strategic objectives and that a constant close monitoring of the existing internal controls system is required to assess the effectiveness of the risks control system.

Through the design of a structured Internal Audit program and a regular rigorous Internal Audit reporting and follow-up process, the Audit Committee and the Board are able to determine the nature and the extent of the outstanding and the newly arisen risks and evaluate the management's effectiveness in the design, implementation and monitoring of the internal controls and ERM.

In addition to internal control and ERM, certain critical aspects of organizational governance, business ethics, fraud and financial reporting established by COSO (the Committee of Sponsoring Organizations of the Treadway Commission) have been referred to by Internal Audit in their audit planning and objectives when assessing the effectiveness of internal controls. During the year, Internal Audit has expanded its work scope to cover internal and external financial reporting objectives and increased focus on operations, compliance and non-financial reporting objectives such as the recruitment and materials usage processes adopted by human resources and production departments respectively. On the basis of the evaluation carried out by Internal Audit during the year, management has formed the conclusion that, for the financial year ended 31st December, 2014, the Company's internal controls over the Company's financial and non-financial reporting were effective. Adequacy of resources, staff's professional qualifications and work experiences, specific and general training programmes and budget of the Company's accounting, internal audit and financial reporting functions are provided.

It is recognized that the assessment of the internal control system based the new version of Internal Control Framework is an on-going process which will require applications of underlying principles to the different objective categories in the changing business and operating environments. In particular, management enhancements are required to address deficiencies in internal controls over operations, compliance and financial and non-financial reporting. Meanwhile, the internal audit plan will continue to be based on a risk-based approach aligned with organizational objectives and, to some extent, stakeholder priorities.

Within the Group, there is a clearly-defined management structure with specified authority limits and segregated responsibilities to achieve business control objectives and safeguard of assets. Guidelines and approval limits for operating (including research and development) and capital expenditures are set clearly and in advance, and, with division of operations and financial personnel to be responsible for the different approval processes. An internal computer system has been implemented to enhance the controls and effectiveness embedded in the approval process. The approval processes prescribed in the system are reviewed regularly by an independent management committee and verified by internal audit. A separate finance team is designated to ensure maintenance of proper and complete accounting records by all Group companies for producing reliable financial information for internal management use. Regular review of the financial information involving senior management and the Board are carried out for verification and monitoring purposes.

The internal audit team also provides independent assurance that the internal controls system is effective and efficient. In order to carry out its function, the internal audit team is given unrestricted access to all business operations and personnel, and all business files and accounting records. The head of the team reports directly and regularly to the Audit Committee on the findings of audit matters. The work schedule of the internal audit team is based on a medium-term audit program reviewed and approved by the Audit Committee. Adverse implications from such findings on the accuracy and completeness of the financial report and the effectiveness of the internal control system are discussed in details by the Audit Committee and immediately rectified.

In addition, the external auditors will report and discuss with the Audit Committee any weaknesses or defects of the internal control system revealed by their audit work, and, if appropriate, adjustments are made to the financial reports and accounts.

While management is responsible for the design, implementation and maintenance of the internal controls, the Board acknowledges the responsibility of ensuring that the Group has maintained effective and sound internal controls to safeguard the Shareholders' investment and the assets of the Group. During the year ended 31st December, 2014, the Board had reviewed the effectiveness of the internal control system and ensured that the internal control process had been properly carried out in making the investment decision and adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function were maintained properly. The Board considers that the Group's internal control system covers all material aspects, including financial, operational, risk management functions and is in compliance with all relevant regulations.

Enterprise Risk Management

The Company has implemented an ERM framework to manage business and operating risks of the Group and consistently conducted its work on ERM in 2014. It has assisted the legal department, finance department, automation production department and quality department to identify the risks and enhance the effectiveness and implement the related internal controls during the year. In year 2015, the Company will still adopt the risk-driven approach for its audit plan and continue to assist each department to establish an internal control self-review system.

STATUTORY AUDIT

The Directors acknowledge responsibilities for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these Financial Statements for the year ended 31st December, 2014, the Directors have selected suitable and applied consistent accounting policies, made reasonable judgments and prudent estimates in preparing the Financial Statements on a going concern basis. Reporting responsibilities of the external auditor of the Company are set out on page 43 of this Annual Report. Directors acknowledge their responsibilities for the preparation and the true and fair presentation of the Financial Statements for the year ended 31st December, 2014 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Companies Ordinance. Furthermore, the Directors are aware of the responsibility for keeping proper accounting records which could provide the financial position of the Company with reasonable accuracy at all times.

The Company's external auditor is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte has confirmed to the Audit Committee that they are independent with respect to acting as external auditor to the Company. Deloitte will not be employed for any non-audit work unless the non-audit work meets the criteria suggested in the Listing Rules and has been discussed and pre-approved by the Audit Committee.

During the year ended 31st December, 2014 the services provided to the Company by Deloitte, and the respective fees paid are set out below:

Types of service	2014 HK$'000
Audit services	3,099
Non-audit services	
Interim review	848
Total	3,947

The representative of Deloitte has attended the annual general meeting in 2014 to answer questions from Shareholders.

The Company has also adopted a policy of not hiring employees of the external auditor who are or have been involved in the Company's audit so as to ensure no impairment of the auditor's judgment and independence with respect to its auditing. This policy has been strictly complied since the auditor's appointment.

CODE OF CONDUCT AND WHISTLEBLOWING POLICY

The Company recognizes that employees form an integral part of the internal control system of the corporate structure. On joining the Company, all employees are encouraged to study and keep abreast of the Company's expectations regarding their duties and integrity as spelt out in the Staff Compliance Manual and the Code of Ethics. The manual and the code set out the guiding principles to do what is right, behave with integrity and honesty and treat other colleagues fairly, respect diversity and observe legal regulations, accept accountability, communicate openly appropriately and always behave in a manner that is beyond reproach.

A group ethics committee, comprising CEO, heads of operations at the different operating locations, legal and human resources, is established to review and monitor the policies under the staff manual and the practices advocated in the Code of Ethics.

To build into a system where there are checks and balances such that no single party could 'dictate/control' a transaction, activity or process to conceal irregularities, the Company recognizes that it is necessary to provide an environment and a system where employees could feel free to report problems to management. The Whistleblowing Policy, already approved by the Board, is being incorporated into the Code of Ethics, where employees are encouraged to raise concerns in confidence about misconduct, malpractice of matters related to the Company. The various reporting channels are already clearly stated in the Code of Ethics. "Whistleblowers" are assured of protection against unfair dismissal, victimization or unwarranted disciplinary action. To facilitate the implementation of the policy, the various reporting channels and the filing of the reporting documentation and the investigation report are laid out clearly. The Audit Committee has been delegated with overall responsibility for implementation, monitoring and periodic review of the policy.

CORPORATE DISCLOSURE

The Board recognized the significance of establishing procedures and internal controls for handling and disseminating inside information about the Company on a timely, accurate and complete basis. The Audit Committee and the Board have reviewed and updated our Corporate Disclosure Policy to ensure that the continuous disclosure standards and procedures are in compliance with the requirements of the Listing Rules, SFO and applicable laws and regulations of the Cayman Islands and the Companies Ordinance, including the "Inside Information" legislation. The procedures and practices are to ensure that "Inside Information" can be escalated up within the organization and appropriate decision is made to decide if an announcement should be made. In this respect, the policy has defined "Inside Information" and the principles of disclosure so that the public and the investment community are able to appraise the position of the Company and its stock market's activity where the shares of the Company are traded.

To facilitate the process, a disclosure committee has been formed and designated spokespersons are appointed with well-defined responsibilities of communicating and monitoring information disclosure to Shareholders, the investment community and the media if appropriate.

Communications with Shareholders and Investment Community

The Company has established a Shareholders' Communication Policy which sets out various formal channels of communication with Shareholders. The transparent and comprehensive disclosure of the Company's performance and activities is to ensure that its Shareholders and the investment community are provided with ready, equal and timely access to balanced, understandable and updated operating information about the Company, such as its financial performance, strategic goals and plans, material developments, governance and risk profile, 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.

A number of formal communication channels are used. These include the annual report, interim report, announcements, circulars and press releases of the Company. The Company also updates its website regularly to ensure prompt dissemination of information about its latest development.

Annual general meeting is another means to enter into a direct dialogue with Shareholders. Board members (including the Chairman), in particular, the Chairmen of all committees or their delegates, and a representative (usually the engagement partner) of the external auditor attend to answer Shareholders' questions.

In addition, the Company strives to uphold a high level of corporate transparency and provides full support to the investor relations team by involving senior management in ongoing dialogue with Shareholders and the investment community to keep them abreast of the Company's latest development strategy, business management, financial information and business progress.

The Company's investor relations team is committed to meeting Shareholders' and investment community's requests on communicating business-related information in a timely manner, and to proactively communicate with the investment community. This is designed to ensure the Company's strengths and competitive advantages, as well as its ability to manage changes in the business environment, are fully understood and hence reflected in the Company's market valuation. The investor relations team also reports to the Board on a monthly basis to keep the Board informed of the latest perceptions in the market regarding the Company and the issues of concern to Shareholders and the investment community.

As part of the process in dealing with "Inside Information", the investor relations team observes "Quiet Periods" that begin one calendar month prior to the announcements of its quarterly, interim and annual financial results to avoid the potential for selective disclosure or its perception of doing so. During the Quiet Periods, there will not be any IR-related access to senior management. The "Quiet Periods" policy is posted on the Company's website at www.aactechnologies.com.

During 2014, the Company held a series of activities in relation to its quarterly, interim and annual results announcements, including panel discussions with Shareholders and the investment community via teleconferencing and participations in different conferences, forums and roadshows in Hong Kong and other parts of the world organized by different brokers. Factory visits were also organized periodically for Shareholders and the investment community. This helps the Company meet the goal of establishing sound relationships with Shareholders and the investment community and maintaining a solid and diverse Shareholder base.

At the 2014 annual general meeting held on 23rd May, 2014, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of retiring directors. Procedures for conducting a poll were explained by the Chairman at the meeting. The Chairman of the Board and members of board committees were present to answer questions from Shareholders. All resolutions were voted by way of poll. The Company appointed the branch share registrar of the Company to act as scrutineers and to ensure votes cast were properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the Listing Rules. No other general meeting was held during the year.

Key dates for Shareholders in 2014/2015

9th May, 2014	2014 First Quarter Results Announcement
23rd May, 2014	2014 Annual General Meeting
27th August, 2014	2014 Interim Results Announcement
19th September, 2014	Record Date for Interim Dividend
29th September, 2014	Payment of Interim Dividend
7th November, 2014	2014 Third Quarter Results Announcement
25th March, 2015	2014 Annual Results Announcement
11th May, 2015	2015 First Quarter Results Announcement
18th May, 2015	2015 Annual General Meeting
27th May, 2015	Record date for Final Dividend
8th June, 2015	Payment of Final Dividend

Market Capitalization and Public Float

As at 31st December, 2014, the market capitalization of listed shares of the Company was approximately HK$51.0 billion based on the total number of 1,228,000,000 issued shares of the Company and the closing price of HK$41.55 per share.

The daily average number of traded shares was approximately 2.9 million shares over an approximate free float of 726 million shares in 2014. The highest closing price was HK$53.2 per share on 8th July, 2014 and the lowest was HK$31.75 per share on 21st March, 2014.

In accordance with the publicly available information and as far as the Directors are aware, the Company has maintained a public float of more than 25% of the Company's issued shares throughout the financial year ended 31st December, 2014 and has continued to maintain the public float as at the date of this Annual Report. The Company analyses its shareholding structure on a regular basis, including a review of the register of institutional and retail investors, to keep track of changes in Shareholdings by type of investors.

Index Recognition

AAC Technologies is currently a constituent stock of MSCI China Index, Hang Seng Mainland 100 Index, Hang Seng Hong Kong Large Cap Index and FTSE Hong Kong Index. It is selected as a constituent stock of the Hang Seng Corporate Sustainability Index for the first time, effective from 8th September, 2014, and is included in the Hang Seng (Mainland and HK) Corporate Sustainability Index. In addition, it has continued to be a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for the third consecutive year since 2012.

Constitutional Documents

During the year ended 31st December, 2014, there was no change to the Company's constitutional documents. For the existing subsidiaries of the Company, incorporated in Hong Kong, following the introduction of new Companies Ordinance of Hong Kong, their original provisions in the Memorandum of Association are regarded as provisions of the Articles of Association effective from 3rd March, 2014.

COMPANY SECRETARY

All Directors have access to the advice and the professional services of the company secretary, who is a representative from an external secretarial services provider, appointed since August 2010. In addition to company secretarial matters of the Company, the company secretary is responsible for ensuring that Board procedures are followed and for facilitating communications among Directors. The primary contact persons with the company secretary of the Company are Mr. Mok, the executive Director and Ms. Kennes Wong, the Board secretary of the Company. The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM"). Set out below are procedures by which Shareholders may (a) convene an EGM; (b) put forward enquires to the Board; and (c) put forward proposals at general meetings. The procedures are subject to the Company's articles of association and applicable legislation and regulation.

– Procedures for Shareholders to convene EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the business to be transacted at the meeting, signed by the requisitioner and deposited at the Company's principal place of business in Hong Kong or the Company's registered office for the attention of the Board or the company secretary, and may consist of several documents in like form, each signed by one or more requisitioners. The requisition will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the requisition is proper and in order, the company secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the requirements under the articles of association of the Company to all the registered Shareholders. On the contrary, if the requisition has been verified as invalid, the requisitioners will be advised of this outcome and accordingly, an EGM will not be convened as requested.

If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitioner(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

The notice period to be given to all the registered Shareholders for consideration of the proposal raised by the requisitioner(s) concerned at the EGM varies according to the nature of the proposal, as follows:

– Not less than 14 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company; and

– Not less than 21 clear days' and not less than 10 clear business days' notice in writing if the proposal constitutes a special resolution of the Company.

– Procedures for putting enquiries to the Board

Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by email to aac2018@aactechnologies.com for the attention of head of investor relations.

– Procedures for putting forward proposals at general meetings

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written request, duly signed by the Shareholder concerned, setting out the proposals at the Company's principal place of business in Hong Kong for the attention of the Board and the company secretary. The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary will pass the request to the Board. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (a) pursuant to a requisition by a Shareholder to convene an EGM referred to above or (b) forms part of ordinary business to be considered at an annual general meeting as described in article 61(1) of the articles of association of the Company.

The procedures for Shareholders of the Company to propose a person for election as Director is posted on the Company's website at www.aactechnologies.com.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF AAC TECHNOLOGIES HOLDINGS INC.
瑞聲科技控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of AAC Technologies Holdings Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 103, which comprise the consolidated statement of financial position as at 31st December, 2014, and the 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 International Financial Reporting Standards 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25th March, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue		**8,879,300**	8,095,889
Cost of goods sold		**(5,201,267)**	(4,637,153)
Gross profit		**3,678,033**	3,458,736
Other income		**114,190**	90,013
Net fair value gain (loss) on foreign currency forward contracts		**346**	(444)
Distribution and selling expenses		**(198,811)**	(181,943)
Administrative expenses		**(337,747)**	(348,534)
Research and development costs		**(656,183)**	(552,637)
Share of results of associates		**(1,374)**	12,286
Net gain on deemed disposal of partial interest in an associate	8	**–**	82,869
Gain on deemed disposal of an associate	18	**–**	240,151
Exchange (loss) gain		**(4,195)**	45,508
Finance costs	9	**(13,692)**	(11,466)
Profit before taxation	10	**2,580,567**	2,834,539
Taxation	12	**(270,166)**	(263,081)
Profit for the year		**2,310,401**	2,571,458
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(3,385)**	(25,184)
Total comprehensive income for the year		**2,307,016**	2,546,274
Profit for the year attributable to:			
Owners of the Company		**2,317,695**	2,577,583
Non-controlling interests		**(7,294)**	(6,125)
		2,310,401	2,571,458
Total comprehensive income and expense attributable to:			
Owners of the Company		**2,314,348**	2,551,838
Non-controlling interests		**(7,332)**	(5,564)
		2,307,016	2,546,274
Earnings per share – Basic	14	**RMB1.89**	RMB2.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**5,285,248**	3,968,788
Goodwill	16	**32,931**	32,931
Prepaid lease payments	17	**180,801**	110,643
Deposits made for acquisition of property, plant and equipment		**485,521**	199,260
Available-for-sale investments	18	**364,531**	364,531
Interests in associates	19	**15,688**	4,768
Intangible assets	20	**139,660**	179,333
Deposits paid for acquisition of additional interests in a subsidiary		**7,717**	–
Loan receivable from a non-controlling shareholder of a subsidiary	21	**17,075**	14,579
		6,529,172	4,874,833
Current assets			
Inventories	22	**1,267,191**	831,559
Trade and other receivables	23	**3,850,382**	2,580,539
Amounts due from related companies	24	**18,216**	16,229
Taxation recoverable		**7,511**	17,191
Pledged bank deposits	26	**3,990**	2,358
Bank balances and cash	26	**1,602,687**	2,354,313
		6,749,977	5,802,189
Current liabilities			
Trade and other payables	27	**2,388,466**	1,616,701
Amounts due to related companies	24	**48,469**	22,645
Taxation payable		**146,050**	130,301
Foreign currency forward contracts	25	**–**	820
Short-term bank loans	28	**1,417,806**	904,701
Other short-term borrowings		**307**	3,723
		4,001,098	2,678,891
Net current assets		**2,748,879**	3,123,298
Total assets less current liabilities		**9,278,051**	7,998,131

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Government grants	29	34,894	10,613
Deferred tax liabilities	30	40,356	41,596
Loan payable to a non-controlling shareholder of a subsidiary	21	11,158	14,133
		86,408	66,342
Net assets		9,191,643	7,931,789
Capital and reserves			
Share capital	31	99,718	99,718
Reserves		9,038,377	7,776,399
Equity attributable to owners of the Company		9,138,095	7,876,117
Non-controlling interests		53,548	55,672
Total equity		9,191,643	7,931,789

The consolidated financial statements on pages 45 to 103 were approved and authorised for issue by the Board of Directors on 25th March, 2015 and are signed on its behalf by:

BENJAMIN ZHENGMIN PAN
DIRECTOR

MOK JOE KUEN RICHARD
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Non-distributable reserve RMB'000	PRC statutory reserves RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1st January, 2013	99,718	746,957	1,135	23,391	(74,903)	87,245	250,429	4,944,270	6,078,242	51,839	6,130,081
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	(25,745)	–	–	–	(25,745)	561	(25,184)
Profit for the year	–	–	–	–	–	–	–	2,577,583	2,577,583	(6,125)	2,571,458
Total comprehensive income and expense for the year	–	–	–	–	(25,745)	–	–	2,577,583	2,551,838	(5,564)	2,546,274
Dividend paid	–	–	–	–	–	–	–	(740,358)	(740,358)	–	(740,358)
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	(14,482)	(14,482)	(6,182)	(20,664)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	(2,653)	(2,653)
Deregistration of subsidiaries	–	–	–	–	947	–	(5,411)	4,464	–	(800)	(800)
Contributions from non-controlling interests	–	–	–	–	–	–	–	877	877	19,032	19,909
Transfers	–	–	–	–	–	–	99,842	(99,842)	–	–	–
At 31st December, 2013	99,718	746,957	1,135	23,391	(99,701)	87,245	344,860	6,672,512	7,876,117	55,672	7,931,789
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	(3,347)	–	–	–	(3,347)	(38)	(3,385)
Profit for the year	–	–	–	–	–	–	–	2,317,695	2,317,695	(7,294)	2,310,401
Total comprehensive income and expense for the year	–	–	–	–	(3,347)	–	–	2,317,695	2,314,348	(7,332)	2,307,016
Dividend paid	–	–	–	–	–	–	–	(1,052,370)	(1,052,370)	–	(1,052,370)
Deemed contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	5,208	5,208
Transfers	–	–	–	–	–	–	2,400	(2,400)	–	–	–
At 31st December, 2014	99,718	746,957	1,135	23,391	(103,048)	87,245	347,260	7,935,437	9,138,095	53,548	9,191,643

The PRC statutory reserves comprise the statutory surplus reserve fund and an enterprise expansion fund, which are non-distributable. As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the PRC subsidiaries of the Company are required to maintain these funds. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries of the Company and the allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up the PRC subsidiaries prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries of the Company by means of capitalisation issue.

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the Group's reorganisation in preparation for the listing of the Company's shares.

The capital reserve relates to a deemed capital contribution from a Shareholder.

The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	NOTE	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**2,580,567**	2,834,539
Adjustments for:			
Interest income		**(23,591)**	(17,402)
Interest expense		**13,692**	11,466
Depreciation		**510,660**	437,117
Amortisation of intangible assets		**14,267**	15,043
Net fair value (gain) loss on foreign exchange currency forward contracts		**(346)**	444
Impairment losses recognised in respect of property, plant and equipment		**3,671**	63,567
Impairment loss recognised in respect of interest in an associate		**–**	13,014
Impairment loss recognised in respect of intangible assets		**30,238**	–
Operating lease rentals in respect of prepaid lease payments		**2,421**	2,402
(Gain) loss on disposal of property, plant and equipment		**(5,734)**	10,600
Share of results of associates		**1,374**	(12,286)
Amortisation of government grants		**(1,419)**	(1,147)
Net gain on deemed disposal of partial interest in an associate		**–**	(82,869)
Gain on deemed disposal of an associate		**–**	(240,151)
Gain on remeasurement of previously held interest in an associate	33	**–**	(2,179)
(Reversal of net allowance) net allowance for bad and doubtful debts		**(383)**	334
Net allowance for obsolete inventories		**30,689**	36,785
Operating cash flows before movements in working capital		**3,156,106**	3,069,277
(Increase) decrease in inventories		**(464,614)**	90,562
Increase in trade and other receivables		**(1,253,967)**	(343,633)
Increase in trade and other payables		**754,752**	13,884
Increase (decrease) in amounts due to related companies		**25,824**	(3,085)
Advance to related companies		**(1,987)**	(16,225)
(Increase) decrease in foreign currency forward contracts		**(481)**	925
Cash from operations		**2,215,633**	2,811,705
Taxation paid		**(248,351)**	(264,093)
Net cash from operating activities		**1,967,282**	2,547,612

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	NOTE	2014 RMB'000	2013 RMB'000
Investing activities			
Withdrawal of pledged bank deposits		**68,512**	4,861
Placement of pledged bank deposits		**(70,144)**	(1,300)
Proceeds from disposal of property, plant and equipment		**55,814**	11,881
Government grants received relating to acquisition of property, plant and equipment		**25,700**	2,360
Interest received		**23,591**	17,402
Acquisition of property, plant and equipment		**(1,666,550)**	(706,723)
Deposits paid for acquisition of property, plant and equipment		**(485,521)**	(199,260)
Prepaid rentals on land use rights		**(72,579)**	–
Acquisition of an associate		**(12,294)**	–
Additions to intangible assets		**(9,700)**	(25,187)
Acquisition of a subsidiary	33	**(7,785)**	1,608
Advance to a non-controlling shareholder of a subsidiary		**(2,177)**	(6,791)
Proceeds from disposal of partial interests in available-for-sale investment		**–**	185,022
Net cash used in investing activities		**(2,153,133)**	(716,127)
Financing activities			
Bank loans raised		**5,375,109**	5,074,375
Repayments of bank loans		**(4,868,429)**	(5,095,168)
Contributions from non-controlling interests		**–**	19,909
Advance from a non-controlling shareholder of a subsidiary		**2,065**	1,441
Dividend paid		**(1,052,370)**	(740,358)
Consideration paid for acquisition of additional interest in a subsidiary		**–**	(20,664)
Interest paid		**(13,692)**	(11,466)
Deposits paid for acquisition of additional interests in a subsidiary		**(7,717)**	–
Repayments of other short-term borrowings		**(3,923)**	(2,012)
Distribution to non-controlling shareholders on deregistration of subsidiaries		**–**	(800)
Net cash used in financing activities		**(568,957)**	(774,743)
Net (decrease) increase in cash and cash equivalents		**(754,808)**	1,056,742
Cash and cash equivalents at 1st January		**2,354,313**	1,313,959
Effect of foreign exchange rate changes		**3,182**	(16,388)
Cash and cash equivalents at 31st December		**1,602,687**	2,354,313
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**1,602,687**	2,354,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied all new IFRSs which are effective for the Group's accounting period beginning on 1st January, 2014.

The application of the new IFRSs 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 IFRSs in issue but not yet effective

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

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory deferral accounts[2]
IFRS 15	Revenue from contracts with customers[3]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to IAS 1	Disclosure initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to IAS 19	Defined benefit plans: Employee contributions[4]
Amendments to IFRSs	Annual improvements to IFRSs 2010 – 2012 cycle[6]
Amendments to IFRSs	Annual improvements to IFRSs 2011 – 2013 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2012 – 2014 cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[5]
Amendments to IAS 27	Equity method in separate financial statements[5]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[5]

[1] Effective for annual periods beginning on or after 1st January, 2018.

[2] Effective for first annual IFRS financial statements beginning on or after 1st January, 2016.

[3] Effective for annual periods beginning on or after 1st January, 2017.

[4] Effective for annual periods beginning on or after 1st July, 2014.

[5] Effective for annual periods beginning on or after 1st January, 2016.

[6] Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 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 IFRS 9 are described below:

All recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised 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 amortised 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are 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 IFRS 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 recognised in profit or loss.

The Directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Group's financial assets (e.g. the Group's investments in equities of private companies that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from contracts with customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 15 Revenue from contracts with customers (continued)

Under IFRS 15, an entity recognises 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Company anticipate that the application of IFRS 15 in the future may have a material 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 IFRS 15 until the Group performs a detailed review.

Apart from IFRS 9 and IFRS 15, the Directors of the Company do not anticipate that the application of the other new and revised IFRSs issued but not yet effective will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with IFRSs and include applicable disclosures required by the Listing Rules on the Stock Exchange and by the Hong Kong Companies Ordinance.

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 leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of over the years are included in the consolidated statement of profit or loss and other comprehensive income from the effective date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, being the change in proportionate share of the net book value of the subsidiary and the fair value of the consideration paid or received, is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

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 recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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 recognised 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 recognised 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 IFRSs.

Where 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 considered 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 being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period cannot exceed one year from 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 IAS 39, or IAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU"), that are expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The associates use accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate as the Group has lost its significant influence over an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Construction in progress is stated at cost less any recognised impairment loss which includes all development expenditure in relation to the construction and other direct costs attributable to such projects including borrowing costs capitalised. Construction in progress is not depreciated until completion of construction and the asset is put into intended use. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and freehold land over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method, at the following rates per annum:

Electronic equipment and furniture	20%
Motor vehicles	20%
Plant and machinery	10%

The cost of buildings is depreciated over 20 years using the straight line method.

The cost of leasehold improvements is depreciated over 10 years or the term of the leases if shorter, using the straight line method.

An item of property, plant and equipment is derecognised 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Leasehold land and building

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 amortised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of 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 capitalisation.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss, of which interest income is included in net gains or losses.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss (comprising foreign currency forward contracts), available-for-sale investments, and loans and receivables.

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, trade and other receivables and amounts due from related companies are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently 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 credit period granted, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified at residual interest first according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of consolidated financial liabilities are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised 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 through the expected life of the financial liability, or, where appropriate.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities excluding derivatives, which consist of short-term bank loans, other short-term borrowings, trade and other payables, amounts due to related companies and loan payable to a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Shares repurchased and cancelled are charged against the share capital and share premium account by its nominal value and the premium paid on repurchase, respectively.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised only when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or any new asset obtained and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid including other liabilities assumed is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

Expenditure on research activities is recognised 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 recognised 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;
- 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 recognised for an 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 recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

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

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 as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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 recognised for all taxable temporary differences and deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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 is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised 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.

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised as deferred income 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 recognised in profit or loss in the period in which they become receivable.

Impairment (other than goodwill and financial assets)

At the end of the reporting period the Group reviews the carrying amounts of its assets 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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 on 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 re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB, which is the functional currency of the Company, at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate 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 recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Operating leases

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.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the period of the respective leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

4. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Available-for-sale investments	**364,531**	364,531
Loans and receivables (including cash and cash equivalents)	**5,293,581**	4,831,403
Financial liabilities		
Fair value through profit or loss		
– Held for trading	**–**	820
Amortised cost	**3,808,350**	2,505,017

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, loan receivable from/payable to a non-controlling shareholder of a subsidiary, trade and other receivables, amounts due from (to) related companies, foreign currency forward contracts, bank balances, trade and other payables, short-term bank loans and other short-term borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in an effective manner. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Market risk

Currency risk – spot rates

With the Group's international operations and presence, the Group faces foreign exchange exposure including transaction and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor the Group's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. As far as possible, the Group aims to achieve natural hedging by investing and borrowing in the functional currencies. Where a complete hedge is not possible, the Group will consider to protect its anticipated foreign currency revenue and foreign currency monetary items with appropriate foreign exchange contracts.

The Group will not enter into derivative transactions for pure trading or speculative purposes.

4. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk – spot rates (continued)

The carrying amounts of the Group's and intra-Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
US$	**1,205,224**	2,024,274	**1,474,015**	1,510,194
Japanese Yen	**22,731**	28,743	**16,762**	189,767
Euro	**54,838**	157,068	**11,438**	45,123
Hong Kong dollar ("HK$")	**414,983**	510,939	**316**	9

Sensitivity analysis

The Group is mainly exposed to fluctuations in exchange rates of RMB against the US$, the Japanese Yen, Euro and HK$. The following details the Group's sensitivity to a 5% increase in RMB against the relevant foreign currencies which 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% (2013: 5%) change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A negative number (in bracket) below indicates a decrease in profit for the year where the RMB strengthen 5% against the relevant currency and vice versa. For a 5% (2013: 5%) weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	Impact	
	2014 RMB'000	2013 RMB'000
Increase (decrease) in profit for the year		
US$	**13,440**	(25,704)
Japanese Yen	**(298)**	8,051
Euro	**(2,170)**	(5,597)
HK$	**(20,733)**	(25,546)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

4. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank loans (see note 28) and bank balances and deposits (see note 26). The Group is also exposed to fair value interest rate risk in relation to fixed rate bank deposits (see note 26). The management considers the Group's exposure on the variable-rate bank loans and bank balances and deposits and fixed rate bank deposits to interest rate risk is not significant as they have a short maturity period.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Inter-bank Offered Rate arising from the Group's bank loans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the amount of variable-rate bank loans and bank balances at the end of the reporting period was the amount outstanding for the whole year. The sensitivity analysis has excluded certain bank balances which are not interest sensitive.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2014 would increase/decrease by RMB379,000 (2013: increase/decrease by RMB3,176,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and bank deposits.

Credit risk

As at 31st December, 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise 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 majority of the counterparties are reputable banks or banks with high credit-ratings assigned by international credit-rating agencies.

32.07% (2013: 18.45%) and 63.67% (2013: 55.99%) of total trade receivables are due from the Group's largest debtor and the five largest debtors. These five customers are multi-national corporations who are mobile phone and consumer devices manufacturers. The management considers, based on the strong financial background, good creditability and repayment history of those debtors, there are no significant credit risks.

4. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's contractual maturity for its financial liabilities:

	Weighted average interest rate	On demand RMB'000	Less than 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31st December, 2014					
Non-derivative financial liabilities					
Non-interest bearing	–	208,819	2,170,567	2,379,386	2,379,386
Variable interest rate	1.10%	–	1,429,912	1,429,912	1,428,964
		208,819	3,600,479	3,809,298	3,808,350
At 31st December, 2013					
Non-derivative financial liabilities					
Non-interest bearing	–	130,390	1,455,793	1,586,183	1,586,183
Variable interest rate	1.37%	–	920,654	920,654	918,834
		130,390	2,376,447	2,506,837	2,505,017
Derivatives – gross settlement					
Foreign exchange forward contracts					
– inflow		–	17,383	17,383	
– outflow		–	(18,291)	(18,291)	
		–	(908)	(908)	(820)

4. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of foreign currency forward contracts as at 31st December, 2013 liabilities of RMB820,000 is determined by discounted cash flow that future cash flow are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and forward contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair value of available-for-sale investment carried at fair value as at 31st December, 2013 of RMB361,277,000 was arrived at with reference to an observable transaction between the Group and certain independent third parties incurred near to 31st December, 2013.

The valuation of all foreign currency forward contracts and available-for-sale investment are classified as level 2 of the fair value hierarchy with the fair value derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Except as detailed above, the Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies detailed in note 3, management has made the following estimation that have significant effect on the amounts recognised in the consolidated financial statements. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss of the Group's trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amount of trade receivables is RMB3,328,545,000, net of allowance for doubtful debts of RMB7,792,000 (2013: RMB2,301,626,000, net of allowance for doubtful debts of RMB8,145,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of available-for-sale investment

The Directors of the Company use their judgment in selecting an appropriate valuation technique to determine fair value of the available-for-sale investment as at 31st December, 2013, which are not quoted in an active market. In estimating the fair value of the available-for-sale investment, the Group made reference to actual transactions occurred at the dates closest to the respective measurement dates. If the assumptions applied in the estimation are different, the carrying amount of the available-for-sale investment may change. The carrying value of the available-for-sale investment at 31st December, 2013 was RMB361,277,000.

Estimated impairment of available-for-sale investment

The Directors of the Company use their judgment in assessing impairment of available-for-sale investment as at 31st December, 2014 which is carried at cost. In estimating whether available-for-sale investment is impaired, the Group adopted an assessment by referencing to market comparable companies multiples and multiplied to the underlying financial information of the available-for-sale investment. To the extent that the carrying amount exceeded the amount of result of the assessment, impairment loss would be recognised.

Estimated impairment of property, plant and equipment

Where there is indication that property, plant and equipment may be impaired, the Group estimates the recoverable amount of the relevant asset or the CGU to which the asset belongs. The impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of CGU. The recoverable amount is higher of value in use and fair value less costs to sell. Where there are changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. As at 31st December, 2014, the carrying amount of property, plant and equipment is RMB5,285,248,000 net of accumulated depreciation and impairment of RMB2,214,471,000 (2013: RMB3,968,788,000 net of accumulated depreciation and impairment of RMB1,724,919,000).

Estimated impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the relevant CGU to which intangible assets have been allocated. The recoverable amount is higher of value in use and fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where there are unfavourable changes in facts and circumstances which results in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss may arise and where there are favourable changes in value in use, reversal of impairment loss may arise. As at 31st December, 2014, the carrying amount of intangible assets are RMB139,660,000 net of accumulated amortisation and impairment loss of RMB116,130,000 (2013: RMB179,333,000 net of accumulated amortization of RMB71,705,000).

6. 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 maximising the return to Shareholders through the optimisation of the debt and equity balance. The Group's overall capital risk management strategy remains unchanged from prior years.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The Directors of the Company review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with capital. The Group will consider to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

7. SEGMENT INFORMATION

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the CEO.

Information reported to the CEO for the purposes of resource allocation and assessment of performances focuses specifically on the type of products sold. This is also the basis upon which the Group is organised and managed. The Group's operating and reportable segments under IFRS 8 are dynamic components (including speaker boxes, receivers and speakers), Micro Electro-Mechanical System ("MEMS") components, haptics & radio frequency ("Haptics & RF") and other products (including optics, traditional microphones and headsets, etc.), which represent the major types of products manufactured and sold by the Group.

Information regarding these segments is presented below.

7. SEGMENT INFORMATION (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Operating and reportable segments		
Segment revenue from external customers		
Dynamic components	5,967,414	6,414,541
Haptics & RF	1,803,938	92,522
MEMS components	852,215	815,906
Other products	255,733	772,920
Revenue	8,879,300	8,095,889
Segment results		
Dynamic components	2,617,188	2,985,700
Haptics & RF	823,581	17,811
MEMS components	206,382	264,096
Other products	30,882	191,129
Total profit for operating and reportable segments	3,678,033	3,458,736
Unallocated amounts:		
Interest income	23,591	17,402
Other income	90,599	72,611
Net fair value gain (loss) on foreign currency forward contracts	346	(444)
Distribution and selling expenses	(198,811)	(181,943)
Administrative expenses	(337,747)	(348,534)
Research and development costs	(656,183)	(552,637)
Share of results of associates	(1,374)	12,286
Net gain on deemed disposal of partial interest in an associate	–	82,869
Gain on deemed disposal of an associate	–	240,151
Exchange (loss) gain	(4,195)	45,508
Finance costs	(13,692)	(11,466)
Profit before taxation	2,580,567	2,834,539

There are no inter-segment sales for both years. No analysis of the Group's assets and liabilities and other information by operating and reportable segments is disclosed as such information is not regularly provided to the CEO for review. Depreciation and amortisation charges related to assets employed by different segments are presented to CEO review.

7. SEGMENT INFORMATION (CONTINUED)

Depreciation and amortisation included in measure of segment results are as follows:

	2014 RMB'000	2013 RMB'000
Dynamic components	**310,642**	277,989
Haptics & RF	**30,040**	2,432
MEMS components	**30,321**	25,623
Other products	**9,954**	16,085
	380,957	322,129
Other unallocated expenses	**143,970**	130,031
	524,927	452,160

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of finance costs, interest income, administration expenses, research and development costs, distribution and selling expenses, other income, net fair value gain (loss) on foreign currency forward contracts, exchange (loss) gain, share of results of associates, net gain on deemed disposal of partial interest in an associate and gain on deemed disposal of an associate. This is the measure reported to the CEO for the purpose of resource allocation and performance assessment.

Over 86% of the Group's non-current assets were located in the PRC, the place of domicile of the relevant group entities that hold those assets.

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

	2014 RMB'000	2013 RMB'000
Greater China* (country of domicile)	**2,219,282**	1,364,613
Other foreign countries:		
Other Asian countries	**1,263,988**	1,264,788
America	**5,295,547**	4,724,170
Europe	**100,483**	742,318
	8,879,300	8,095,889

* Greater China comprises the PRC, Hong Kong and Taiwan. Majority of the revenue from Greater China were derived from the PRC.

7. SEGMENT INFORMATION (CONTINUED)

The geographical information of the Group's revenue from external end customer by individual countries in Europe and America is not available. In the opinion of management, such disclosure is harmful to the Group's business.

During the year, the aggregate amount of revenue derived from the Group's top customers which individually has contributed to over 10% of the Group's revenue and included in all of the Group's segments, amounted to RMB4,329,472,000 (2013: RMB4,667,621,000). No disclosure of the total amount of revenue by each customer and number of customers are disclosed, as in the opinion of the Directors such disclosure is harmful to the Group's business.

8. NET GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

During the year ended 31st December, 2013, certain employees of an associate of the Company have exercised share options granted by the associate resulting in a dilution of the Group's equity interest in the associate from 20.0% to 19.1%. The Group's share of net assets in the associate decreased and resulted in a loss on dilution in the interest in associate of RMB2,746,000 (the "Diluted Loss"). In August 2013, the associate issued new shares to other shareholders, resulting in a further dilution of the Group's equity interest in the associate from 19.1% to 15.5%. In spite of the dilution, because of the premium of the new shares issued, the Group's share of net assets in the associate increased and resulted in a gain on dilution in the interest in associate of RMB85,615,000 (the "Diluted Gain").

The net effect of the Diluted Loss and Diluted Gain of RMB82,869,000 was recognised in profit or loss as net gain on deemed disposal of partial interest in an associate for the year ended 31st December, 2013. Also, during the year ended 31st December, 2013, all of the Group's appointed Directors have resigned from the board of the associate and the Group's right to nominate representatives to the board has been waived. As a result, the Directors have determined that the Group's significant influence over the associate was lost. See note 18 for details.

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank borrowings wholly repayable within five years	**13,692**	11,466

10. PROFIT BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 11)	**14,622**	13,496
Other staff's retirement benefits scheme contributions	**235,900**	196,874
Other staff costs	**1,984,772**	1,526,297
Total staff costs	**2,235,294**	1,736,667
Less: Staff costs included in research and development costs	**(349,245)**	(284,083)
	1,886,049	1,452,584
Depreciation	**510,660**	437,117
Less: Depreciation included in research and development costs	**(72,165)**	(59,081)
	438,495	378,036
Amortisation of intangible assets	**14,267**	15,043
Net allowance for bad and doubtful debts	**–**	334
Allowance for obsolete inventories, included in cost of goods sold	**30,689**	36,785
Auditor's remuneration	**2,671**	2,416
Cost of inventories recognised as expense	**5,170,578**	4,600,368
Cost of raw materials included in research and development costs	**116,059**	76,587
Impairment losses recognised in respect of property, plant and equipment (note 15)	**3,671**	63,567
Impairment losses recognised in respect of intangible assets (note 20)	**30,238**	–
Loss on disposal of property, plant and equipment	**–**	10,600
Impairment loss recognised in respect of interest in an associate (note 19)	**–**	13,014
Operating lease rentals in respect of		
– building premises	**46,195**	40,381
– prepaid lease payments	**2,421**	2,402
and after crediting:		
Amortisation of government grants (note 29)	**1,419**	1,147
Gain on disposal of property, plant and equipment	**5,734**	–
Government grants included in other income *	**36,153**	37,114
Interest income	**23,591**	17,402
Rental income	**1,035**	1,432
Net reversal of allowance for bad and doubtful debts	**383**	–

* The amount mainly represents the incentives granted by the PRC local authorities to the Group for engaging in High Technology business, employment of expatriates and technologically advanced staff. All the grants were approved and received during the year of recognition.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	Benjamin Zhengmin Pan RMB'000	Ingrid Chunyuan Wu RMB'000	Mok Joe Kuen Richard RMB'000	Koh Boon Hwee RMB'000	Poon Chung Yin Joseph RMB'000	Dato' Tan Bian Ee RMB'000	Chang I-Hua Carmen RMB'000	Total RMB'000
31st December, 2014								
Fees	–	353	–	742	477	300	283	2,155
Salaries and other benefits	3,240	–	1,888	–	–	–	–	5,128
Bonus	3,370	–	3,956	–	–	–	–	7,326
Retirement benefits scheme contributions	–	–	13	–	–	–	–	13
Total Directors' emoluments	6,610	353	5,857	742	477	300	283	14,622
31st December, 2013								
Fees	–	354	–	744	478	301	284	2,161
Salaries and other benefits	1,248	–	1,484	–	–	–	–	2,732
Bonus	3,360	–	5,231	–	–	–	–	8,591
Retirement benefits scheme contributions	–	–	12	–	–	–	–	12
Total Directors' emoluments	4,608	354	6,727	744	478	301	284	13,496

Note: The bonus is determined with reference to the performance of the Group.

Employees' emoluments

The five highest paid individuals included two (2013: one) Directors, details of whose emoluments are set out above. The emoluments of the remaining three (2013: four) highest paid individuals are as follows:

	2014 RMB'000	2013 RMB'000
Employees		
– basic salaries and allowances	3,679	3,700
– bonus	12,378	28,473
– retirement benefits scheme contributions	24	41
– compensation for loss of office	507	–
	16,588	32,214

Note: The bonus is determined based on performance of the employees.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees' emoluments (continued)

The emoluments were within the following bands:

	Number of employees	
	2014	**2013**
HK$6,000,001 to HK$6,500,000	**1**	–
HK$7,000,001 to HK$7,500,000	**1**	–
HK$7,500,001 to HK$8,000,000	**1**	–
HK$8,500,001 to HK$9,000,000	**–**	2
HK$9,000,001 to HK$9,500,000	**–**	1
HK$13,500,001 to HK$14,000,000	**–**	1

Mr. Pan is also the Chief Executive of the Company and his emolument disclosed above include those for services rendered by him as the Chief Executive.

During the year, compensation for loss of office was paid to an employee of RMB507,000. No other emoluments were paid by the Group to the five highest paid individuals (including Directors and employees) as an inducement to join or as compensation for loss of office.

12. TAXATION

	2014 **RMB'000**	**2013** **RMB'000**
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	**188,358**	164,091
Other jurisdictions	**89,471**	74,434
Overprovision of taxation in prior years	**(6,423)**	(9,381)
	271,406	229,144
PRC withholding tax	**–**	11,478
Deferred tax (see note 30)	**(1,240)**	22,459
	270,166	263,081

Under the law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

12. TAXATION (CONTINUED)

According to a joint circular of Ministry of Finance and the State Administrative of Taxation of the PRC, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise prior to 1st January, 2008, when distributed to foreign investors, can be grandfathered and exempted from EIT. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to EIT at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Rules. According to the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, the withholding tax rate on dividend paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise. Deferred tax liability on the undistributed profits earned has been accrued at the tax rate of 5% on the expected dividend stream determined by the Directors of the Company.

In addition, certain PRC subsidiaries were officially endorsed as High-New Technology Enterprises ("HNTE") till the dates ranging from 5th August, 2015 to 29th September, 2017. Pursuant to the EIT Law, those PRC subsidiaries entitled as HNTE shall be entitled to a preferential tax rate of 15% till the expiry of the HNTE status for the respective PRC subsidiaries.

Pursuant to relevant laws and regulations in Singapore, one of the Group's subsidiaries is entitled to a concessionary tax rate under Development and Expansion Incentive which is granted based on the fulfillment of carrying out qualifying business activities. This incentive program will expire for the subsidiary in 2018.

Taxation in other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year is reconciled to the profit before taxation as follows:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**2,580,567**	2,834,539
Tax at the applicable income tax rate*	**645,142**	708,635
Tax effect of income not taxable for tax purpose	**(3,847)**	(89,355)
Tax effect of expenses not deductible for tax purpose	**13,714**	32,825
Tax effect of tax holiday	**(299,949)**	(303,608)
Tax effect of tax losses not recognised	**81,584**	31,914
Utilisation of tax losses previously not recognised	**(11,872)**	(5,646)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(146,814)**	(133,989)
Overprovision in prior years	**(6,423)**	(9,381)
PRC withholding tax on undistributed earnings	**–**	23,522
PRC withholding tax	**–**	11,478
Others	**(1,369)**	(3,314)
Tax charge for the year	**270,166**	263,081

* The PRC EIT rate of 25% (2013: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

13. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2013 final dividend of HK$0.83 (2012: HK$0.508) per ordinary share	**809,073**	496,938
2014 interim dividend of HK$0.25 (2013: HK$0.25) per ordinary share	**243,297**	243,420
	1,052,370	740,358

Subsequent to the end of the reporting period, 2014 proposed final dividend of HK$0.71 (2013: HK$0.83) per share, approximate to RMB687,826,000 (2013: RMB809,073,000), has been proposed by the Board of Directors and is subject to approval by the Shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31st December, 2014 is based on the profit for the year attributable to owners of the Company of RMB2,317,695,000 (2013: RMB2,577,583,000) and on the number of ordinary shares of 1,228,000,000 shares in issue during the year (2013: 1,228,000,000 shares).

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Electronic equipment and furniture RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1st January, 2013	–	578,912	470,061	233,451	26,827	3,018,680	548,958	4,876,889
Currency realignment	–	(712)	(657)	(20)	(29)	(1,059)	(2)	(2,479)
Additions	–	8,206	73,187	22,095	5,914	339,310	416,567	865,279
Acquisition of a subsidiary	–	76	40	–	–	3,813	115	4,044
Disposals	–	(7,044)	(6,007)	(443)	(1,281)	(35,159)	(92)	(50,026)
Transfers	–	79,234	2,356	6,719	89	265,300	(353,698)	–
At 31st December, 2013	–	658,672	538,980	261,802	31,520	3,590,885	611,848	5,693,707
Currency realignment	155	45	(571)	(72)	(17)	(2,321)	(8)	(2,789)
Additions	–	24,923	135,612	50,651	8,907	640,987	1,004,730	1,865,810
Acquisition of a subsidiary	15,073	1,794	–	–	–	–	–	16,867
Disposals	–	(47,612)	(6,358)	(2,302)	(2,294)	(15,113)	(197)	(73,876)
Transfers	–	25,491	7,596	51,179	627	707,831	(792,724)	–
At 31st December, 2014	15,228	663,313	675,259	361,258	38,743	4,922,269	823,649	7,499,719
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2013	–	81,013	256,041	101,644	15,700	798,210	–	1,252,608
Currency realignment	–	(14)	(416)	(18)	(18)	(362)	–	(828)
Provided for the year	–	30,656	64,117	44,631	3,184	294,529	–	437,117
Eliminated on disposal	–	(5,079)	(5,264)	(56)	(1,083)	(16,063)	–	(27,545)
Impairment losses recognised in profit or loss	–	3,849	581	–	41	59,096	–	63,567
At 31st December, 2013	–	110,425	315,059	146,201	17,824	1,135,410	–	1,724,919
Currency realignment	–	(34)	(246)	(19)	(14)	(670)	–	(983)
Provided for the year	–	31,556	72,339	44,702	4,159	357,904	–	510,660
Eliminated on disposal	–	(10,107)	(3,627)	(1,602)	(1,759)	(6,701)	–	(23,796)
Impairment losses recognised in profit or loss	–	–	–	–	–	3,671	–	3,671
At 31st December, 2014	–	131,840	383,525	189,282	20,210	1,489,614	–	2,214,471
CARRYING VALUES								
At 31st December, 2014	15,228	531,473	291,734	171,976	18,533	3,432,655	823,649	5,285,248
At 31st December, 2013	–	548,247	223,921	115,601	13,696	2,455,475	611,848	3,968,788

During the year, the Group had impaired certain property, plant and equipment of RMB3,671,000(2013: RMB63,567,000) due to termination of production on certain products that were not part of the Group's core business and due to replacement of some other machineries by more advanced models as part of the Group's automation plan.

The Group's major buildings are situated in the PRC on land which is held under medium-term land use rights.

16. GOODWILL

	RMB'000
COST	
At 1st January 2013	11,803
Acquired on acquisition of a subsidiary (see note 33)	21,128
At 31st December, 2013 and 31st December, 2014	32,931

The goodwill acquired in business combination was allocated to each individual subsidiary which management considers represent separate CGUs. At the end of the reporting period, the carrying amount of goodwill had arisen from the acquisition of the following subsidiaries:

	2014 RMB'000	2013 RMB'000
北京東微世紀科技有限公司 ("Eastmicro Technology (Beijing) Co., Ltd.")*	**1,750**	1,750
AAC Technologies Japan R&D Center Co., Ltd.	**1,348**	1,348
Kaleido Technology APS	**8,705**	8,705
Mems Technology Pte. Ltd. ("MemsTech")	**21,128**	21,128
	32,931	32,931

* For identification purpose only.

The recoverable amount of the CGU is determined from value in use calculations. These calculations use cash flow projections based on latest financial budgets approved by management covering a five year period, using an applicable discount rate of 14.1%.

17. PREPAID LEASE PAYMENTS

The amount represents the prepayment of rentals for medium-term land use rights situated in the PRC for a period of 50 years.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost (note a)	**364,531**	3,254
Unlisted shares, at fair value (note b)	**–**	361,277
	364,531	364,531

18. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Notes:

(a) The investments are measured at cost less impairment as the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably.

During the year ended 31st December, 2014, in the opinion of the Directors, an available-for-sale investment that was previously carried at fair value at 31st December, 2013 of RMB361,277,000 has been reclassified as available-for-sale investment carried at cost as in the opinion of the Directors they were no longer able to determine its fair value.

The Directors use their judgment in assessing impairment of available-for-sale investment as at 31st December, 2014 which is carried at cost. In estimating whether available-for-sale investment is impaired, the Group adopted an assessment by referencing to market comparable companies multiples and multiplied to the underlying financial information of the available-for-sale investment. To the extent that the carrying amount exceeded the amount of the result of the assessment, impairment loss would be recognised.

(b) During the year ended 31st December, 2013 all of the Group's appointed Directors have resigned from the board of an associate and the Group's right to nominate represetantives to the board has been waived. As a result, the Directors have determined that the Group's significant influence over the associate was lost. Consequently, the associate was ceased to be recognised as an associate and was recognised as available-for-sale investment at fair value. The fair value of the available-for-sale investment at initial recognition was arrived at with reference to a transaction of the associate's shares with other participants. The difference of RMB240,151,000 between the carrying value and the fair value of the interest in the associate was recognised as gain on deemed disposal of an associate in profit or loss during the year ended 31st December, 2013.

The fair value of the investment at 31st December, 2013 was arrived at with reference to a recent transaction between the Group and certain independent third parties. In the opinion of the Directors of the Company, fair value hierarchy of the available-for-sale investment is at level 2 at 31st December, 2013.

During the year ended 31st December, 2014, the Directors have considered that they were unable to determine a reliable measure of fair value for the investee as they were no longer able to have access to certain key financial information of the investee. Consequently, the Directors consider it appropriate to carry the investment at cost rather than at fair value. The carrying amount of RMB361,277,000 at the date of change in measurement of the investee, was determined to be the cost of the investment (see note a above) and has been reclassified as available-for-sale investment carried at cost.

19. INTERESTS IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Cost of investments in associates, unlisted	**71,185**	58,891
Impairment loss recognised in respect of interest in an associate	**(13,014)**	(13,014)
Share of post-acquisition (loss) profit and other comprehensive (expense) income	**(42,483)**	(41,109)
	15,688	4,768

19. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's principal associates are as follows:

Name of associate	Place of incorporation	Percentage equity interest 2014 %	Percentage equity interest 2013 %	Principal activity
Xenon Technology (Cayman) Limited ("Xenon")	Cayman Islands	39.2%	39.2%	Design and manufacture of Xenon-based flash lamp and flash modules
Vesper Technologies Inc. ("Vesper")	United States of America	25%	–	Research and develop of MEMS products

During the year, the Group acquired Vesper for a total consideration of RMB12,294,000. According to the shareholders agreement, the Group has the right to appoint 1 out of 4 directors. The Directors have determined that it has significant influence on Vesper, and hence the investment was accounted for as an associate as at 31st December, 2014.

During the year, the management assessed its associates for impairment with reference to their recoverable amounts. The recoverable amounts were determined based on the value in use calculations using the cashflow projections based on financial budget for the next 3 to 5 years approved by management. Cash flows beyond the budgeted period have extrapolated using a rate of 0-3%. Discount rate of 14.1% (2013: 12.7%) was used, which was determined based on the weighted average cost of capital of the investees. Based on the estimated recoverable amount, an impairment loss of RMB13,014,000 was recognised and charged to profit or loss during the year ended 31st December, 2013. No impairment loss is recognised in current year.

The associates use accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associates' accounting policies to those of the Group.

Summarised financial information in respect of the assets and liabilities and post-acquisition results of the Group's associates are set out below:

	2014 RMB'000	2013 RMB'000
Total assets	**22,399**	9,540
Total liabilities	**(7,815)**	(5)
	14,584	9,535
Revenue	**6,582**	–
(Loss) profit for the year	**(6,479)**	138
Group's share of profit of associates for the year	**(1,374)**	12,286

20. INTANGIBLE ASSETS

	Patents RMB'000	Development expenditure RMB'000	Total RMB'000
COST			
At 1st January, 2013	130,038	71,536	201,574
Currency realignment	(416)	(110)	(526)
Addition	–	25,187	25,187
Acquired on acquisition of a subsidiary (see note 33)	24,803	–	24,803
At 31st December, 2013	154,425	96,613	251,038
Currency realignment	106	(5,054)	(4,948)
Addition	–	9,700	9,700
At 31st December, 2014	154,531	101,259	255,790
AMORTISATION AND IMPAIRMENT			
At 1st January, 2013	20,784	36,339	57,123
Currency realignment	(95)	(366)	(461)
Provided for the year	12,954	2,089	15,043
At 31st December, 2013	33,643	38,062	71,705
Currency realignment	32	(112)	(80)
Provided for the year	13,137	1,130	14,267
Impairment losses recognised during the year	30,238	–	30,238
At 31st December, 2014	77,050	39,080	116,130
CARRYING VALUE			
At 31st December, 2014	77,481	62,179	139,660
At 31st December, 2013	120,782	58,551	179,333

During the year ended 31st December, 2014, the Group has fully written off certain patents of RMB30,238,000 (2013: nil) due to the terminations of production on the relevant products that were not part of the Group's core business.

Patents represents the Group's patents on designing small and sophisticated module structures. Development expenditure represents the Group's development cost in MEMS technology and wafer-level glass moulding technology which are used to enhance the Group's current products. Amortisation is provided to write off the cost of development expenditure and patents, using the straight line method, over the estimated useful life ranging from 5 to 20 years.

21. LOAN FROM/TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Loan receivable from a non-controlling shareholder of a subsidiary bears interest rate at Singapore Interbank Offered Rate plus 1.0% per annum and are with no fixed repayment terms. The Directors are in the opinion that the amount is not expected to be received within one year from the end of the reporting period. As a result, the loan receivable from a non-controlling shareholder of a subsidiary is classified under non-current assets.

Loan payable to a non-controlling shareholder of a subsidiary bears interest rate at Singapore Interbank Offered Rate plus 1.0% per annum and are with no fixed repayment terms. The Directors are in the opinion that the Group has the right to deny payment upon request as the non-controlling shareholder's loan to the subsidiary is funded by the Group ultimately. As a result, the loan payable to a non-controlling shareholder of a subsidiary is classified under non-current liabilities.

Under a loan agreement entered between the Group, a subsidiary of the Group and the non-controlling shareholder, the loan receivable from a non-controlling shareholder of a subsidiary and loan payable to a non-controlling shareholder of a subsidiary are not enforceable to be settled on net basis.

At 31st December, 2013, the loan receivable from a non-controlling shareholder of a subsidiary was interest bearing, secured by the portion of all issued shares of the subsidiary that owned by the non-controlling shareholder and has no fixed maturity date. The former associate became a subsidiary during the year, see note 33, and consequently portion of the loan receivable was assigned to a non-controlling shareholder of the subsidiary.

22. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**299,750**	146,913
Work in progress	**188,477**	86,915
Finished goods	**778,964**	597,731
	1,267,191	831,559

23. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**3,250,107**	2,229,304
Bank acceptance and commercial bills	**78,438**	72,322
	3,328,545	2,301,626
Advance payment to suppliers	**74,928**	39,244
Prepayments	**123,838**	97,371
Value-added tax recoverable	**168,138**	64,443
Other receivables	**154,933**	77,855
	3,850,382	2,580,539

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an analysis of trade receivables and bank acceptance and commercial bills by age, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates. The analysis below is net of allowance for doubtful debts.

	2014 RMB'000	2013 RMB'000
Age		
0 – 90 days	**3,015,864**	2,049,383
91 – 180 days	**282,070**	246,967
Over 180 days	**30,611**	5,276
	3,328,545	2,301,626

Payment terms with customers are mainly on credit. Invoices are normally payable within 30 days to 120 days of issuance. The Group accepts bank acceptance and commercial bills with maturities ranging from 30 to 180 days at the end of the credit terms in lieu of immediate cash payment. The following is an aged analysis of trade receivables and bank acceptance and commercial bills which are past due but not impaired:

	2014 RMB'000	2013 RMB'000
Age		
Overdue 0 – 90 days	**324,070**	528,519
Overdue 91 – 180 days	**30,947**	4,634
Overdue over 180 days	**3,340**	2,382
	358,357	535,535

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB358,357,000 (2013: RMB535,535,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on historical experience the Group considers the amounts which are past due and which impairment loss has not been provided for to be of good credit quality and they are expected to be recoverable. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is a movement in the allowance for bad and doubtful debts account:

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	**14,577**	14,527
Currency realignment	**44**	(284)
Allowance for bad and doubtful debts	**1,378**	3,980
Write-off of bad and doubtful debts	**(202)**	–
Reversal of allowance for bad and doubtful debts	**(1,761)**	(3,646)
Balance at end of the year	**14,036**	14,577

Allowances are recognised based on the Group's historical experience, aging analysis and internal assessment of the recoverability of the debt.

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014 RMB'000	2013 RMB'000
US$	**192,717**	244,092
Euro	**6,761**	52,202
HK$	**1**	911

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Details of the amounts due from related companies, in which close family members of Ms. Wu and Mr. Pan, Directors of the Company have controlling interest, are as follows:

Name of related company	Balance at 31.12.2014 RMB'000	Balance at 1.1.2014 RMB'000	Maximum amount outstanding during the year RMB'000
常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd.)*	267	22	267
深圳市遠宇實業發展有限公司 (Shenzhen Yuanyu Industrial Development Co., Ltd.)*	1,689	6	1,689
常州中科來方能源發展有限公司 (Changzhou Zhongke Laifang Power Development Co., Ltd.)*	14,629	14,576	14,629
江蘇遠宇電子集團有限公司 (Jiangsu Yuanyu Electronics Group Co., Ltd.)*	1,631	1,625	1,631
	18,216	16,229	

* For identification purpose only.

The above amounts were unsecured, interest-free and repayable on demand.

The amounts due to related companies are unsecured, interest-free and are repayable on demand. Certain close family members of the substantial Shareholders of the Company have controlling interests in these related companies.

25. FOREIGN CURRENCY FORWARD CONTRACTS

	Liabilities	
	2014 RMB'000	2013 RMB'000
Foreign currency forward contracts	–	820

25. FOREIGN CURRENCY FORWARD CONTRACTS (CONTINUED)

Details of the foreign currency forward contracts entered into by the Group with certain banks outstanding as at the end of the reporting period (the "Forward Contracts") are as follows:

At 31st December, 2013:

Description	Settlement date	Exchange rate
3 contracts to sell in aggregate US$3 million for JPY	Settled monthly on various dates from 29th January, 2014 until 27th March, 2014	At exchange rate JPY100.30 for US$

At any time prior to maturity of certain of Forward Contracts, if the spot rate between the US$ and JPY falls below an agreed rate, the Forward Contracts will be automatically terminated. The Forward Contracts are not designated and effective as a hedging instrument. Therefore, the fair value gains or losses are recognised in profit or loss in the period in which they arise. At 31st December, 2013, the fair value of the Forward Contracts are determined by the respective issuing banks with reference to forward rates. No Forward Contracts are outstanding at 31st December, 2014.

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

The bank balances and pledged bank deposits carry variable and fixed interest rates ranging from 0.33% to 4.00% (2013: 0% to 5.00%).

The Group's bank balances and cash and pledged bank deposits which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	Pledged bank deposits		Bank balances and cash	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
US$	–	1,075	496,616	736,698
HK$	–	–	12,579	108,573
Japanese Yen	77	86	22,637	18,233
Euro	–	–	35,601	78,762
Other currencies	–	–	1,962	2,818

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS (CONTINUED)

The Group's bank balances and cash and pledged bank deposits which are denominated in functional currencies of the relevant group entities are set out below:

	Pledged bank deposits		Bank balances and cash	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
US$	–	–	312,131	343,061
HK$	–	–	7,242	2,109
Japanese Yen	–	–	505	646
Euro	–	–	973	312
RMB	3,913	1,197	703,406	1,053,352
Other currencies	–	–	9,035	9,749

27. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	1,120,700	874,198
Notes payables – secured	665,590	300,770
	1,786,290	1,174,968
Payroll and welfare payables	343,664	273,298
Payables for acquisition of property, plant and equipment	86,468	51,707
Other payables and accruals	165,732	109,629
Contingent consideration payable	6,312	7,099
	2,388,466	1,616,701

Other payables are unsecured, interest-free and have no fixed repayment terms.

An aged analysis of trade and notes payables, presented based on the invoice date, is as follows:

	2014 RMB'000	2013 RMB'000
Age		
0 – 90 days	1,577,470	1,044,579
91 – 180 days	208,285	129,221
Over 180 days	535	1,168
	1,786,290	1,174,968

27. TRADE AND OTHER PAYABLES (CONTINUED)

The Group's trade payables which are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2014 RMB'000	2013 RMB'000
US$	**79,024**	83,129
Japanese Yen	**9,165**	8,619
Euro	**1,609**	2,198

28. SHORT-TERM BANK LOANS

The Group's short-term bank loans denominated in currencies other than the functional currencies of the respective entities are set out below:

	2014 RMB'000	2013 RMB'000
US$	**112,230**	354,233
Japanese Yen	**–**	181,152

The Group's short-term bank loans denominated in functional currencies of the respective entities is set out below:

	2014 RMB'000	2013 RMB'000
US$	**706,012**	369,316
HK$	**599,564**	–

The Group's short-term bank loans, carry interest ranging from 0.75% to 2.74% per annum (as at 31st December, 2013: carry interest ranging from 0.76% to 2.37% per annum). The Company issued guarantees to the banks to secure these borrowings.

29. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB25,700,000 (2013: RMB2,360,000) in aggregate from various PRC government authorities as an incentive for constructing electronic plants and acquiring machineries. The amount received is to be amortised and released to profit or loss over the useful lives of the relevant assets. During the year, RMB1,419,000 (2013: RMB1,147,000) of the grants have been released to profit or loss.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and the movements thereon during the current and prior year.

	Intangible assets RMB'000	PRC withholding tax on undistributed earnings RMB'000	Total RMB'000
At 1st January, 2013	14,921	20,000	34,921
Acquisition through business combinations	4,216	–	4,216
(Credited) charged to profit or loss	(1,063)	23,522	22,459
Payment made for the year	–	(20,000)	(20,000)
At 31st December, 2013	18,074	23,522	41,596
(Credited) to profit or loss	(1,240)	–	(1,240)
At 31st December, 2014	16,834	23,522	40,356

At 31st December 2014, the Group has unrecognised deferred tax liability in relation to PRC withholding tax on undistributed earnings in certain of its PRC subsidiaries, as it is the intention of the Directors to retain the earnings within these subsidiaries.

At the end of the reporting period, certain subsidiaries of the Group has unused tax losses of RMB433,116,000 (2013: RMB154,268,000) available for offset against future profits. These losses may be carried forward for five years from the year when the losses are incurred. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

The deferred tax liability of RMB4,216,000 recognised in respect of the intangible assets was related to the acquisition of MemsTech during the year ended 31st December, 2013 as a result of the fair value adjustment on patents and technical knowhow in relation to MEMS product design and manufacture.

31. SHARE CAPITAL

	Number of shares	Amount US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1st January, 2013, 31st December, 2013 and 31st December, 2014	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1st January, 2013, 31st December, 2013 and 31st December, 2014	1,228,000,000	12,280

	RMB'000
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	99,718

32. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed in the Company's special general meeting held on 15th July, 2005, the Company approved and adopted the Scheme which will expire at its tenth anniversary.

The purpose of the Scheme is to provide the eligible participants with the opportunity to acquire proprietary interests in the Company, to attract and retain the best available personnel, to encourage and motivate participants to work towards enhancing the value of the Company and the shares and to allow them to participate in the growth of the Company and to align the interests of the Shareholders and the participants. Under the Scheme, the Directors may grant options to any eligible participants, including the Company's Shareholders, all Directors and any employees of the Company or any subsidiaries and any consultants, professional and other advisors who will provide or have provided services to the Group.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive Directors of the Company. In addition, any share options granted to a substantial Shareholder or any independent non-executive Director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in any one year up to and including the date of such grant (i) representing in aggregate value over 0.1% of the shares of the Company in issue on that date; and (ii) having an aggregate value, based on the closing price of the shares on the date of each grant, in excess of HK$5 million, are subject to Shareholders' approval in a general meeting.

32. SHARE OPTION SCHEME (CONTINUED)

The exercisable period of the options granted are determined by the Board of Directors of the Company at its absolute discretion. The share options will expire no later than ten years from the date of grant. At the time of grant of the share options, the Company may specify a minimum period for which an option must be held before it can be exercised. The acceptance date should not be later than 90 days after the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of options. The subscription price of the option shares is not less than the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares on the five trading days immediately preceding the date of grant; and (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed in nominal amount of 10% of the issued share capital of the Company at the date of approval of the Scheme. However, the total maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time. The number of shares in respect of which options may be granted to each eligible participants in any one year is not permitted to exceed 1% of the shares of the Company in issue from time to time.

The Company has not granted any option under the Scheme since its adoption.

33. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of assets and liabilities through acquisition of a subsidiary

On 23rd October, 2014, AAC Optics Philippines, Inc., the Group's 99.99% owned subsidiary and TECHAAC Inc., the Group's 40% owned subsidiary, acquired 40% and 60% equity interests of Florafield Inc. respectively from certain independent third parties for a cash consideration of RMB7,787,000. Major assets of Florafield Inc. are freehold lands located in the Philippines without any operation which did not constitute a business combination in accordance with IFRS 3 "Business combination" as such, the acquisition has been accounted for as acquisition of assets and liabilities through acquisition of a subsidiary.

	RMB'000
Analysis of assets and liabilities acquired:	
Property, plant and equipment	16,867
Other receivables	241
Bank balances and cash	2
Other payables	(9,323)
	7,787
Net cash outflow arising from the acquisition:	
Cash consideration paid	(7,787)
Less: Bank balances and cash acquired	2
	(7,785)

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Step acquisition from associate to subsidiary

The Group held 50% equity interest in an associate, MemsTech, as at 31st December, 2012. Pursuant to an agreement entered between the Company and other shareholder of MemsTech, the Company acquired a further 10% equity interest in MemsTech for a consideration of RMB5,598,000 by discharging the same amount of loan advanced to MemsTech. The transaction was completed on 31st May, 2013 and MemsTech is treated as a subsidiary of the Company from that date.

MemsTech is a private company incorporated in Singapore and engaged in research and development and manufacture and sale of MEMS products. The goodwill of RMB21,128,000 arising from the acquisition is attributable to the future economic benefits that are expected to accrue to the Group from operating synergies and revenue growth incurred by the joint contributions of technology from MemsTech and business management skills from the Group. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The amount of the non-controlling interests is measured on the basis of its proportionate interests in the acquiree's identifiable net assets.

The following table summarises the consideration transferred for MemsTech and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Fair values RMB'000
The assets acquired and liabilities recognised at the date of acquisition were as follows:	
Property, plant and equipment	4,044
Intangible assets	24,803
Inventories	1,407
Trade and other receivables	2,187
Bank balances and cash	1,608
Trade and other payables	(3,154)
Borrowings*	(33,312)
Deferred tax liabilities	(4,216)
	(6,633)
Goodwill arising on acquisition:	
Consideration	5,598
Add: Non-controlling interests (40% of MemsTech)	(2,653)
Fair value of previously held interest in MemsTech	11,550
Net liabilities recognised	6,633
Goodwill arising on acquisition	21,128
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	1,608

* Included in the borrowings recognised at the date of acquisition represent loan payable to the Group of RMB14,543,000, loan payable to a non-controlling interest of RMB12,222,000 and other short-term borrowings of RMB6,547,000.

33. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Step acquisition from associate to subsidiary (continued)

The intangible assets represent patents and technical know-how in relation to MEMS products design and manufacture. The fair value is estimated by an independent and professionally qualified valuer and calculated using multi-period excess earnings method based on the cash flow projection, attrition rate and discount rate adopted by the management.

The fair value of the previously held interest held by the Group was estimated by an independent and professionally qualified valuer. The fair value estimates are calculated using discounted cash flow method based on cash flow projection, growth rate and discount rate adopted by the management. The Group recognised a gain of RMB2,179,000 as a result of the remeasurement of previously held interest. The gain was included in other income for the year ended 31st December, 2013. The Group recognised the non-controlling interest at the proportionate share of net liabilities of MemsTech.

The trade and other receivables acquired amounting to RMB2,187,000 represents the gross contractual amount and is approximate to the fair value. The best estimate at the date of acquisition is that all receivables will be collected.

MemsTech contributed no revenue and a loss of RMB272,000 to the Group since the acquisition. Had MemsTech been consolidated from 1st January, 2013, the impact of the Group's revenue and the profit attributable to the equity holders of the Company for the year ended 31st December, 2013 would have been insignificant.

34. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Building premises	
	2014 RMB'000	2013 RMB'000
Within one year	52,721	37,310
In the second to fifth year inclusive	58,956	60,677
	111,677	97,987

Leases are negotiated and rentals are fixed for a lease term of 1 to 3 years.

35. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	136,335	72,067

36. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,250 per month prior to June 2014 and revised to HK$1,500 per month for each employee.

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

37. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following significant transactions with related parties:

Relationship of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Companies controlled by close family members of the substantial Shareholders of the Company (Note)	Purchase of raw materials	**94,605**	83,170
	Property rentals paid	**21,937**	10,732
	Sales of raw materials	**769**	793
Close family members of the substantial Shareholders of the Company (Note)	Property rentals paid	**3,798**	3,336

Note: The substantial Shareholders have shareholdings which give them significant influence over the Company. They are also Directors of the Company.

Emoluments paid to the key management personnel of the Company which represents the executive Directors of the Company and the five highest paid individuals, are set out in note 11.

Balances with related parties are disclosed in notes 21 and 24 to the consolidated financial statements.

38. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Details of the Company's principal subsidiaries, all of which are wholly-owned subsidiaries of the Group as at 31st December, 2014 and 31st December, 2013, are as follows:

Name of subsidiary	Country of establishment/ operations	Nominal value of issued and fully paid share/ registered capital	Principal activities
瑞聲聲學科技（常州）有限公司 AAC Acoustic Technologies (Changzhou) Co., Ltd. (note a)	PRC	Registered capital – US$8,000,000	Manufacture and sales of acoustic products, research and development
AAC Acoustic Technologies Limited 瑞聲聲學科技有限公司	Hong Kong	Ordinary shares – HK$10,000	Sales of acoustic related products, investment
AAC Technologies Pte. Ltd.	Singapore	Shares – SGD500,000	Sale of products, research and development
瑞聲聲學科技（深圳）有限公司 AAC Acoustic Technologies (Shenzhen) Co., Ltd. (note b)	PRC	Registered capital – US$33,000,000	Manufacture and sales of acoustic products, research and development
瑞聲科技（沭陽）有限公司 AAC Technologies (Shuyang) Co., Ltd. (note c)	PRC	Registered capital – US$9,000,000	Manufacture and sales of precision components for acoustic products, research and development
瑞聲光電科技（常州）有限公司 AAC Microtech (Changzhou) Co., Ltd. (note d)	PRC	Registered capital – US$102,800,000	Manufacture and sales of electronic components, research and development
常州美歐電子有限公司 American Audio Components (Changzhou) Co., Ltd. (note e)	PRC	Registered capital – US$23,000,000	Manufacture and sales of precision components and acoustic products, research and development
瑞聲精密制造科技（常州）有限公司 AAC Module Technologies (Changzhou) Co., Ltd. (note f)	PRC	Registered capital – US$69,800,000	Manufacture and sales of tooling and precision components, research and development
常州泰瑞美電鍍科技有限公司 Changzhou Tairuimei Electroplating Technology Co., Ltd. (note g)	PRC	Registered capital – RMB69,000,000	Provision of electroplating service

38. PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) General information of subsidiaries (continued)

Name of subsidiary	Country of establishment/ operations	Nominal value of issued and fully paid share/ registered capital	Principal activities
YEC Electronics Limited 香港遠宇電子有限公司	Hong Kong	Ordinary shares – HK$10,000	Sales of acoustic related products
瑞聲精密電子沭陽有限公司 AAC Precision Electronics Technologies (Shuyang) Co., Ltd. (note h)	PRC	Registered capital – US$84,980,000	Manufacture and sales of electronics related accessories and components, research and development
瑞聲聲學科技（蘇州）有限公司 AAC Acoustic Technologies (Suzhou) Co., Ltd. (note i)	PRC	Registered capital – US$67,000,000	Manufacture and sales of electronic components, research and development
瑞聲（中國）投資有限公司 AAC (China) Investment Co., Ltd. (note j)	PRC	Registered capital – US$200,000,000	Investment
瑞聲開泰（深圳）科技發展有限公司 AAC Kaitai (Shenzhen) Sci-Tech Development Co., Ltd. (note k)	PRC	Registered capital – US$10,000,000	Sales of products
瑞聲光學科技（常州）有限公司 AAC Optics Technologies (Changzhou) Co., Ltd. (note l)	PRC	Registered capital – US$120,000,000	Manufacture and sales of electronic components
AAC Technologies Viet Nam Co., Ltd. (note m)	Vietnam	Registered capital – US$6,500,000	Manufacture and sales of products

Notes:

(a) Wholly-owned foreign enterprise for a term of 50 years commencing 28th September, 2003.
(b) Wholly-owned foreign enterprise for a term of 20 years commencing 12th January, 2004.
(c) Wholly-owned foreign enterprise for a term of 20 years commencing 8th November, 2006.
(d) Wholly-owned foreign enterprise for a term of 50 years commencing 13th April, 2006.
(e) Wholly-owned foreign enterprise for a term of 20 years commencing 28th January, 2000.
(f) Wholly-owned foreign enterprise for a term of 20 years commencing 8th May, 2007.
(g) Wholly-owned foreign enterprise for a term of 20 years commencing 11th April, 2005.
(h) Wholly-owned foreign enterprise for a term of 20 years commencing 13th June, 2010.
(i) Wholly-owned foreign enterprise for a term of 15 years commencing 6th April, 2004.
(j) Wholly-owned foreign enterprise for a term of 30 years commencing 13th November, 2012.
(k) Wholly-owned foreign enterprise for a term of 10 years commencing 29th August, 2014.
(l) Wholly-owned foreign enterprise for a term of 20 years commencing 29th July, 2013.
(m) Wholly-owned foreign enterprise for a term of 10 years commencing 20th September, 2013.

38. PRINCIPAL SUBSIDIARIES (CONTINUED)

(a) General information of subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
AAC New Power Development (Changzhou) Co., Ltd. ("AAC New Power") (note)	PRC	19.58%	19.58%	4,151	5,158	43,527	47,678
Individually immaterial subsidiaries with non-controlling interests				3,143	967	10,021	7,994
				7,294	6,125	53,548	55,672

Note: Summarised financial information in respect of the above subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

38. PRINCIPAL SUBSIDIARIES (CONTINUED)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

AAC New Power

	2014 RMB'000	2013 RMB'000
Current assets	**79,802**	158,234
Non-current assets	**144,908**	91,995
Current liabilities	**2,408**	6,725
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**178,775**	195,826
Non-controlling interests	**43,527**	47,678

	2014 RMB'000	2013 RMB'000
Income	**1,242**	1,351
Expenses	**22,444**	27,696
Loss for the year	**21,202**	26,345
Loss attributable to owners of the Company	**17,051**	21,187
Loss attributable to the non-controlling interests	**4,151**	5,158
Loss for the year	**21,202**	26,345
Net cash outflow from operating activities	**40,415**	24,763
Net cash outflow from investing activities	**60,762**	418
Net cash inflow from financing activities	**–**	35,463
Net cash (outflow) inflow	**(101,177)**	10,282

38. PRINCIPAL SUBSIDIARIES (CONTINUED)

(c) Change in ownership interest in a subsidiary

During the year ended 31st December, 2013, the Group acquired additional 7.6% of its interest in a subsidiary at a consideration of RMB20,664,000, increasing its continuing interest to 88.9%. An amount of RMB6,182,000 (being the proportionate share of the carrying amount of the net assets of the subsidiary) has been transferred from non-controlling interests. The difference of RMB14,482,000 between the decrease in the non-controlling interests and the consideration paid is recognised directly in equity.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2014 RMB'000	2013 RMB'000
Non-current assets			
Interests in subsidiaries		**1,171,857**	1,171,857
Current assets			
Other receivables		**191**	69
Amounts due from subsidiaries (Note)		**700,546**	551,149
Bank balances and cash		**2,671**	3,386
		703,408	554,604
Current liabilities			
Other payables		**1,211**	1,061
Amounts due to subsidiaries (Note)		**1**	–
		1,212	1,061
Net current assets		**702,196**	553,543
		1,874,053	1,725,400
Capital and reserves			
Share capital	31	**99,718**	99,718
Reserves		**1,774,335**	1,625,682
		1,874,053	1,725,400

Note: The amounts are unsecured, interest-free and are repayable on demand.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement of reserves

	Share premium RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1st January, 2013	746,957	33,428	506,025	1,286,410
Profit and total comprehensive income for the year	–	–	1,079,630	1,079,630
Dividend paid	–	–	(740,358)	(740,358)
At 31st December, 2013	746,957	33,428	845,297	1,625,682
Profit and total comprehensive income for the year	–	–	1,201,023	1,201,023
Dividend paid	–	–	(1,052,370)	(1,052,370)
At 31st December, 2014	746,957	33,428	993,950	1,774,335

40. EVENT AFTER THE END OF THE REPORTING PERIOD

In March 2015, the Group's 88.9% owned subsidiary, has achieved performance milestone that set out in a sale and purchase agreement signed between the Group and the non-controlling shareholders. Under the condition of achievement of performance milestone, the Group is obligated to acquire the remaining 11.1% equity interests of that subsidiary and the management expects that the consideration for acquiring the additional equity interests in the subsidiary is ranging from RMB28,000,000 to RMB30,000,000 subject to final conclusion with the counterparties.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
RESULTS					
Revenue	3,349,020	4,059,687	6,282,946	8,095,889	**8,879,300**
Profit before taxation	1,099,138	1,141,559	2,015,518	2,834,539	**2,580,567**
Taxation	(111,661)	(108,626)	(258,945)	(263,081)	**(270,166)**
Profit for the year	987,477	1,032,933	1,756,573	2,571,458	**2,310,401**
Attributable to:					
Owners of the Company	986,730	1,036,192	1,762,625	2,577,583	**2,317,695**
Non-controlling interests	747	(3,259)	(6,052)	(6,125)	**(7,294)**
	987,477	1,032,933	1,756,573	2,571,458	**2,310,401**

	As at 31st December,				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES					
Total assets	5,583,819	6,714,226	8,925,806	10,677,022	**13,279,149**
Total liabilities	(1,407,928)	(1,902,804)	(2,795,725)	(2,745,233)	**(4,087,506)**
Net assets	4,175,891	4,811,422	6,130,081	7,931,789	**9,191,643**
Attributable to owners of the Company	4,174,545	4,750,070	6,078,242	7,876,117	**9,138,095**
Non-controlling interests	1,346	61,352	51,839	55,672	**53,548**
	4,175,891	4,811,422	6,130,081	7,931,789	**9,191,643**

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