瑞聲科技控股有限公司
AAC TECHNOLOGIES HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2018

Annual Report 2019

AAC Technologies Holdings Inc. is the world's leading solutions provider for smart devices with cutting-edge technologies in materials research, simulation, algorithms, design, automation and process development in Acoustics, Optics, Electromagnetic Drives and Precision Mechanics, MEMS, Radio Frequency and Antenna, providing advanced miniaturized and proprietary technology solutions. Our goal is to "Lead Innovation & Enhance User Experience". In delivering high-performance and superior quality products, the Group will continue to create value for customers with innovative user experience.

www.aactechnologies.com

The English text of this annual report shall prevail over the Chinese text in case of any inconsistency.

This annual report is printed on environmentally friendly paper

PRINTED WITH SOY INK™

Contents

The Company has since 2013 issued a stand-alone Sustainability Report every year. The annual Sustainability Report discloses the details of sustainability performance, initiatives and its progress on environmental, social and governance issues for the year. Please visit the website www.aactechnologies.com to download the reports.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Koh Boon Hwee (Chairman of the Board)
Mr. Au Siu Cheung Albert
Mr. Zhang Hongjiang (Appointed on 1 January 2019)
Mr. Poon Chung Yin Joseph
Mr. Kwok Lam Kwong Larry
Mr. Peng Zhiyuan (Appointed on 1 January 2019)
Mr. Tan Bian Ee (Retired on 24 May 2019)

Non-executive Director

Ms. Wu Ingrid Chun Yuan

AUDIT AND RISK COMMITTEE

Mr. Au Siu Cheung Albert (Chairman)
Mr. Poon Chung Yin Joseph
Mr. Kwok Lam Kwong Larry
Mr. Peng Zhiyuan

NOMINATION COMMITTEE

Mr. Zhang Hongjiang (Chairman)
Mr. Kwok Lam Kwong Larry
Mr. Peng Zhiyuan

REMUNERATION COMMITTEE

Mr. Poon Chung Yin Joseph (Chairman)
Mr. Au Siu Cheung Albert
Mr. Zhang Hongjiang

AUTHORIZED REPRESENTATIVES

Mr. Pan Benjamin Zhengmin
Mr. Mok Joe Kuen Richard

COMPANY SECRETARY

Mr. Ho Siu Tak Jonathan (Appointed on 25 March 2020)
Mr. Lo Tai On (Resigned on 25 March 2020)

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Woo, Kwan, Lee & Lo
Baker & McKenzie

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1605–7, China Evergrande Centre
38 Gloucester Road, Wanchai, Hong Kong

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

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1–1111
Cayman Islands

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of Communications
DBS Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Ping An Bank

STOCK CODE

2018

WEBSITE

www.aactechnologies.com

FINANCIAL YEAR END

31 December

Core Development Strategies

AAC Technologies is

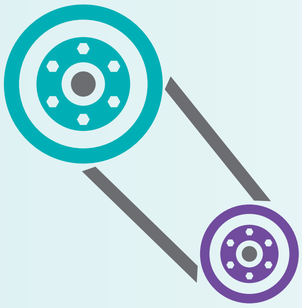
offering advanced solutions enabled by its cutting-edge and proprietary technologies to the global consumer electronics industry

> **AAC Technologies is determined to drive growth through innovation and enhance its R&D as well as high-precision manufacturing capabilities, so as to provide the best products and solutions meeting future market demands. The core competencies of the Group include simulations, innovative research and design as well as vertically integrated smart manufacturing, complemented by efficient management, proven operational systems and its tireless effort in nurturing talents.**

Core Development Strategies

STRATEGY

The Group always aims to "lead innovation and enhance user experience". Focusing on high-tech entry barrier and high value-added miniaturised components, and establishing the leading edge in each segment, we achieve sustainable development capability.



"Two-pronged" approach – R&D and manufacturing

Versatile platforms for technology and equipment

Core Development Strategies

Acoustics

Optics

Electromagnetic Drives

CONTINUE TO CONDUCT R&D ON CORE TECHNOLOGIES FOR MAINTAINING THE LEADING POSITION IN THE GLOBAL TECHNOLOGY MARKET:

Since inception, the Group has identified technology-leader as its competitive strategy. With investment in R&D accounting for 9.6% of revenue, the Group has set up 19 R&D centers all over the world, with 4,177 R&D talents, and, by 31 December 2019, obtained 4,411 patents, as well as 4,785 patent applications.

CONTINUOUSLY DEVELOP ULTRA-PRECISION PRODUCTION TECHNIQUES AND ENHANCE PER CAPITA OUTPUT:

The Group has implemented an integrated process of R&D and manufacturing with independent R&D initiatives, self-developed equipment and automated production lines. Per capita output has continuously improved by self-developed production techniques, enhanced production yield and our global presence. Our target is to achieve the per capita output level of developed countries in 3–5 years.

ESTABLISH A VERSATILE TECHNOLOGY PLATFORM TO ACHIEVE EFFICIENT USE AND GREATER INTEGRATION OF R&D RESOURCES:

Our versatile technology platforms enable the Group to invest in specific R&D of these segments: miniaturized acoustic components, haptics, actuators, stepping motors, WLG lenses, 3D cover glasses and MEMS, to maintain technology leader status and innovative capabilities.

ESTABLISH A VERSATILE EQUIPMENT PLATFORM TO ENHANCE LEVEL OF STANDARDIZATION AND DIGITALIZATION:

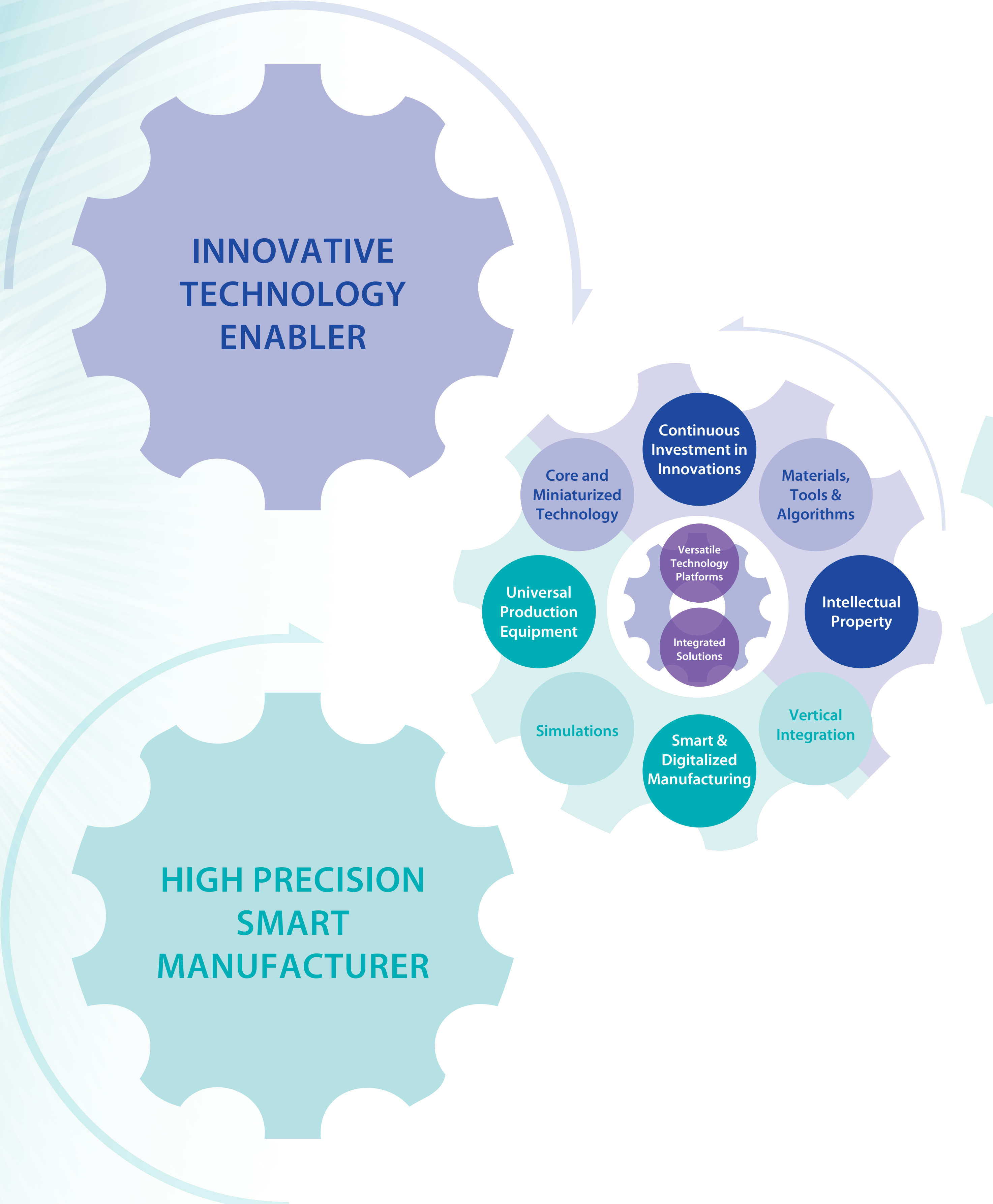
Our self-developed production equipment has been designed with scope for continuous upgrade and further improvement. Hence, our production lines can be modified flexibly for supporting new requirements within the six product segments. We ensure quick response to new requirements of production process for new products, and new techniques can be implemented. Such enhanced versatility of equipment will significantly reduce investment costs of specific production lines of specific product segments.

Metallic Casing/ 3D Cover Glass

RF Solutions

MEMS

Core Development Strategies



Core Development Strategies

Financial Highlights

Revenue
(RMB million)

17,884

-1.4% YoY

EBITDA
(RMB million)

4,977

-20.9% YoY

Earnings Per Share
(RMB)

1.84

-40.8% YoY

Free Cash Flow
(RMB million)

846

-70.4% YoY

CAPEX/EBITDA

60.9%

-1.1 ppts YoY

Per Capita Output
(RMB)

454,075

-9.9% YoY

Net Assets
(RMB million)

19,361

+2.3% YoY

Net Gearing Ratio

10.5%

+4.3 ppts YoY

ROE

11.6%

-9.2 ppts YoY

Financial Highlights

SUMMARY OF PAST 5-YEAR OPERATING FINANCIAL DATA

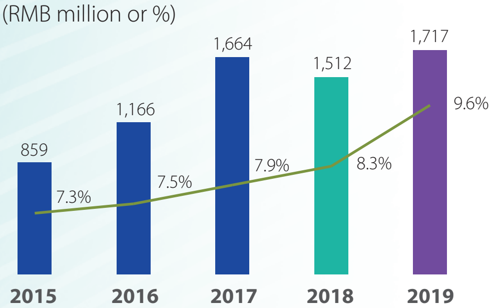
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Revenue	11,738,866	15,506,828	21,118,566	18,131,153	**17,883,757**
Depreciation and Amortisation	715,745	968,905	1,316,046	1,763,627	**2,176,306**
Finance costs	21,950	66,812	164,711	217,888	**248,210**
Net profit	3,106,904	4,025,665	5,324,579	3,795,885	**2,222,375**
EBITDA	4,172,968	5,668,707	7,477,054	6,291,817	**4,976,938**
CAPEX	(2,420,910)	(4,137,632)	(5,286,186)	(3,903,282)	**(3,032,874)**
Taxation paid	(276,608)	(453,024)	(696,234)	(676,286)	**(370,068)**
Changes in working capital	(291,148)	(286,125)	(1,601,984)	1,149,187	**(727,941)**
Free cash flow	1,184,302	791,926	(107,350)	2,861,436	**846,055**
Gross margin	41.5%	41.5%	41.3%	37.2%	**28.6%**
R&D expenses to Revenue	7.3%	7.5%	7.9%	8.3%	**9.6%**
ROA	20.9%	19.8%	19.4%	12.5%	**6.9%**
ROE	30.4%	31.6%	33.6%	20.8%	**11.6%**
Per capita output (Revenue/Employees)	329	334	405	504	**454**
Net gearing ratio	Net cash	0.9%	7.3%	6.2%	**10.5%**
Current ratio	1.89	1.41	1.32	1.44	**1.92**
CAPEX/EBITDA	58.0%	73.0%	70.7%	62.0%	**60.9%**

Global Presence

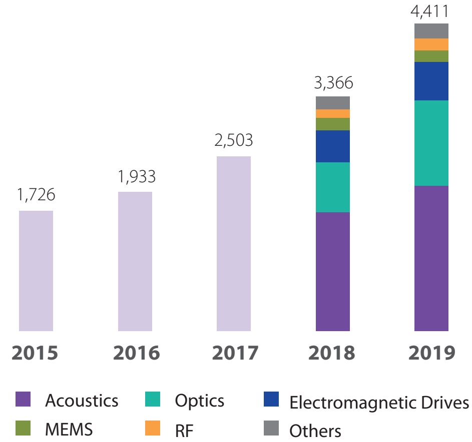
R&D

R&D Expenses and R&D Expenses/Revenue Ratio

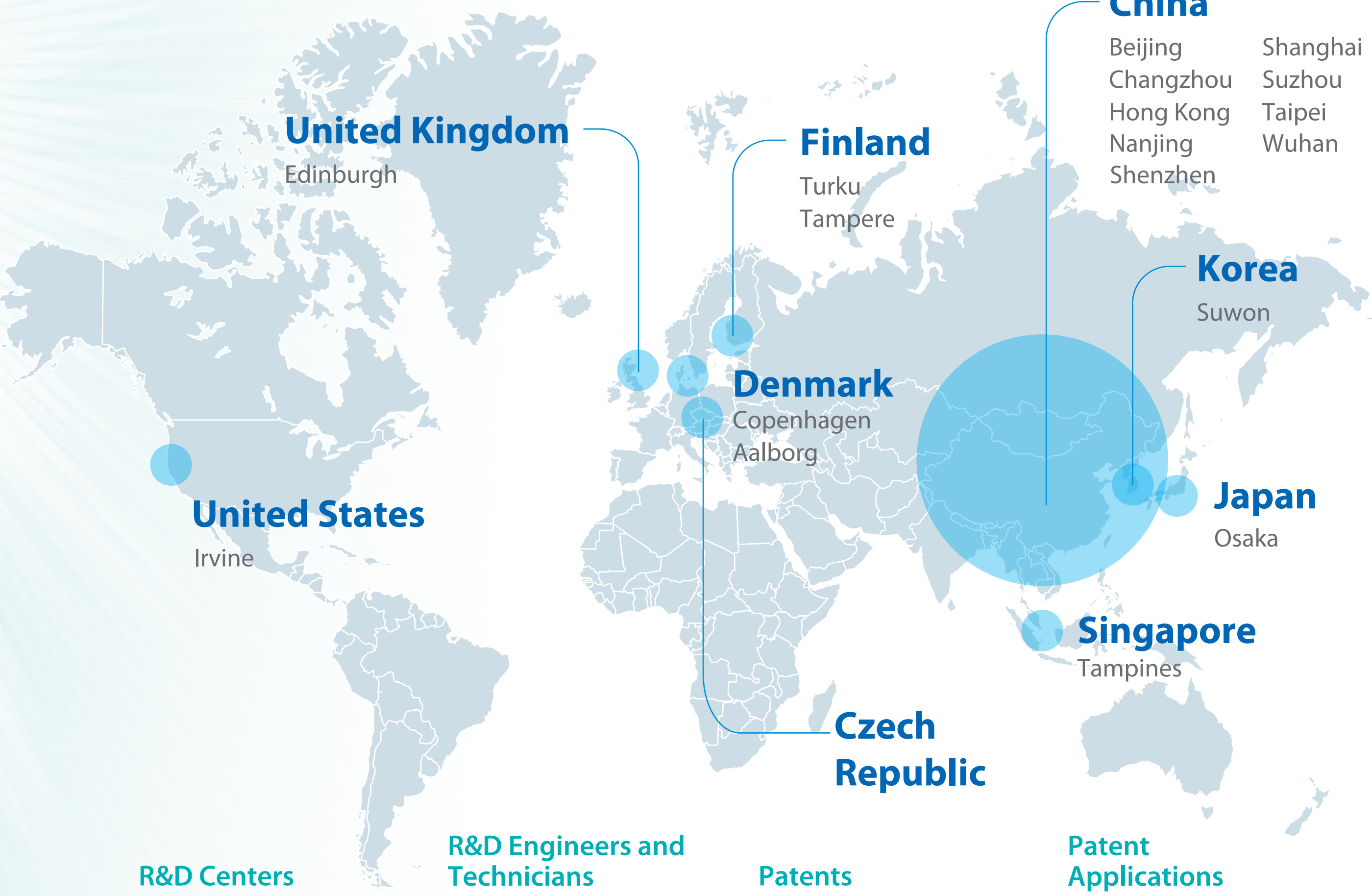
(RMB million or %)



Patents by Segments



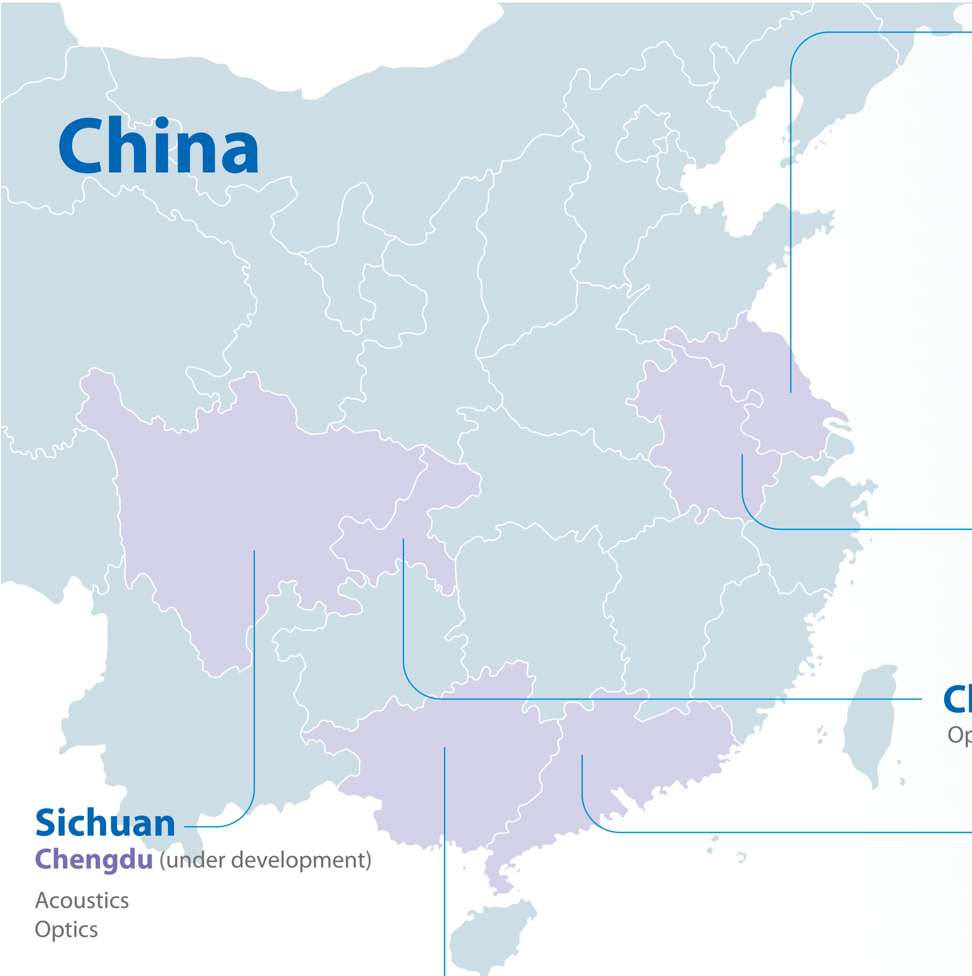
R&D Centers



R&D Centers	R&D Engineers and Technicians	Patents	Patent Applications
19	4,177	4,411	4,785
		Overseas: 1,092	Overseas: 2,289

Global Presence

Diversified Manufacturing Bases



Jiangsu

Changzhou
Acoustics
Electromagnetic Drives
Optics
Precision Mechanics

Shuyang
Acoustics
Electromagnetic Drives
Precision Mechanics

Suzhou
Optics

Anhui

Ma'anshan
Precision Components

Chongqing (under development)

Optics

Sichuan

Chengdu (under development)
Acoustics
Optics

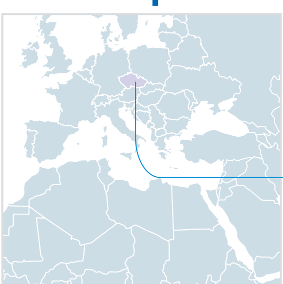
Guangdong

Shenzhen (Longgang)
MEMS
Optics

Guangxi

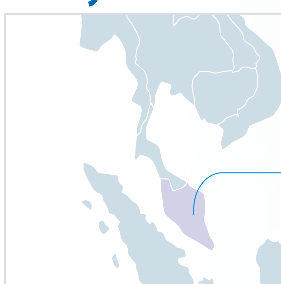
Nanning
Acoustics
Optics
Precision Mechanics

Czech Republic



Kozomín (under development)
Optics Tooling

Malaysia

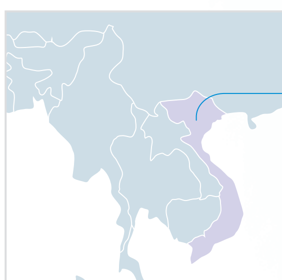


Malaysia (under development)
Moulding

Philippines

General Trias, Cavite
Electromagnetic Drives

Vietnam



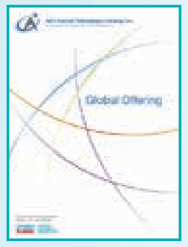
Bac Ninh
Acoustics

Vinh Phuc (under development)
Ba Thien IP Industrial Park

Milestones

Milestones

1993
Shenzhen Yuanyu, manufactured miniature acoustic components

2005

IPO on the Stock Exchange

2007
Mass production of MEMS microphones

2008
Certified supplier for top 5 global mobile phone makers

Mass production of haptics and waterproof speakers

2009
Acquired ISQR, a Japanese lens designer

Set up Singapore RF design laboratory

2010
Invested in Kaleido, Denmark for WLG technology

Started fully automated production of speakers and receivers

2011
Changed Company's name to AAC Technologies

Invested in MEMS Tech, Singapore for MEMS Die design

2012
Started to ship integrated LDS antennas on speaker boxes

2013
Mass production of RF mechanical solutions

2014
Non-Acoustic business (Haptics and RF Mechanics) ramping up, contributing 20% of revenue for the first time

2015
Acquired Wispry, US for RF MEMS technology

2016
Became the Hang Seng Index constituent stock

Launch of stereo sound solutions

2017
Launch of SLS platform

Mass production of plastic lenses

2018
Shipment of SLS acoustic products

2019
Top 3 global supplier of plastic lenses for smartphones

Chairman and CEO Statement

Notwithstanding the significant disruption likely brought by the COVID-19 outbreak, we believe the development of the smart device industry will continue as it addresses fundamental needs for user experience by delivering relevant applications.

Dear Shareholders,

We are delighted to have achieved a number of milestones in 2019, all of which are significant to the Group's sustainable future growth and the delivery of satisfactory returns to the shareholders. Nevertheless, we should address the occurrence of COVID-19 outbreak, which had quickly spread globally and would continue to cause significant disruptions to global economy and potentially end-user demand for smartphone products.

Global markets have experienced significant turmoil since the outbreak of COVID-19. The widespread restriction of business operations, logistics, social and trading activities is causing economic slowdowns, leading to recession expectations in the first half of 2020, and may extend beyond that. Inevitably, the consumer sentiment and the end-user demand for smartphones in the short-to-medium-term will be adversely impacted. Amid such a challenging economic environment, the Group's priority is to adhere to its financial discipline, maintain a strong balance sheet and cash flow, and further improve the operational efficiencies via rigorous cost control and further automation.

As at time of writing, we expect the revenue, gross profit and net profit of 1Q 2020 to be adversely impacted, due to extended period of work suspension after Chinese New Year, expected pricing pressure, and expected reduction of revenue from dampened consumer sentiment for smartphones.

Miniaturised technology components are vital parts of these smart device platforms. The Group remains dedicated to the long-term objective of "leading innovation and enhancing user experience", focusing on the development and promotion of various innovative product platforms, on the back of a prudent financial management.

BUSINESS REVIEW

For the year under review, the total revenue of the Group edged down by 1.4% year-on-year ("YoY") to RMB17.88 billion, of which the total revenue for 4Q 2019 increased 5.8% quarter-on-quarter ("QoQ") or 9.6% YoY to RMB5.30 billion, underscoring the improvement momentum throughout the second half of the year. Despite a challenging operational environment, the overall gross margin for the year under review was 28.6%, (FY 2018: 37.2%), of which the overall gross margin for 4Q 2019 stood at 29.0%, (3Q 2019: 29.6%), as a result of the management team's efforts on optimizing the product mix, maintaining customer penetration and improving operational efficiencies and cost control. The optics business remained in the ramping up phase and has yet to reach the optimal scale, but the Group remains confident of significantly more revenue contributions from Wafer Level Glass ("WLG") projects in 2020.

Chairman and CEO Statement

The Group has dedicated R&D resources to develop a range of 5G solutions, and, is ready to seize the opportunities when more 5G applications are utilized by the customers and end-users. Net profit for the year under review declined 41.5% YoY to RMB2.22 billion, mainly due to reduced gross profit and higher research and development costs. The Group maintains a healthy liquidity position, with cash and bank balances of RMB5.5 billion; and net gearing ratio of 10.5% as at end of 2019.

To our delight, we have seen various important developments in the optics business, especially with the WLG platform, on its technology and preparation for mass production. The progress is on track and the Group remains confident of the shipment by 2020, and more significant revenue contribution by WLG platform thereon.

As part of the Group's strategy to develop the optics business and provide customers with an integrated optics solution with WLG technology, we are in good progress to establish production facilities for manufacturing camera modules, and, targeting shipment by mid-2020.

During the second half of 2019, various flagship smartphone models were launched with edge haptic features, kicking off another round of tactile upgrade in smartphones. At the same time, stepper motors, as a differentiated solution for full screen display, have been gradually adopted by more smartphone and smart home applications. As a leader in electromagnetic technology, the Group has started mass production and shipment of haptic and stepper motors during the period. Revenue contribution from Android customers will increase significantly in 2020.

During the year under review, the Group's capital expenditure ("CAPEX") amounted to RMB3.0 billion, of which, RMB1.1 billion was related to the optics development and another RMB0.6 billion was related to the acoustics segment. The Group owns 4,411 patents as at 31 December 2019, an increase of 31% from 31 December 2018.

In view of the fast-moving situation regarding the impact of COVID-19, the Group is acting quickly on the following four areas: 1) improve manufacturing efficiency: by utilizing big data and automation to improve production capacity with lower costs; 2) strengthen financial control: the projected CAPEX and R&D expenses are under review by the Board, and proactive liquidity management is exercised; 3) improve customer satisfaction and increase market share: through customized solutions catering to client's changing needs; and 4) accelerate technological innovation and monitor new industry opportunities for future growth strategies.

Prudent financial management is essential to the sustainable investment and development of the Group. In November 2019, we have successfully completed the inaugural bond issuance, amounted to USD388 million at 3.00% coupon rate, on the back of a Baa1 credit rating from Moody's. The issue, well received and oversubscribed by bond investors, underscored the proactive approach of the Group to tap into a diversified investor base, providing longer term liquidity at an attractive funding rate for future growth and development. The Group is dedicated to continue with developing and achieving more breakthroughs for the various technology platforms, to provide a strong foundation for sustainable growth.

The Board of Directors proposed not to declare a final dividend for FY 2019 (FY 2018: HK$1.03 per share), in order to maximize the liquidity of the Group, in light of the unprecedented circumstances amidst the COVID-19 outbreak. Based on the interim dividend paid on 27 September 2019, gives a total dividend of HK$0.40 per share for the year (FY 2018: HK$1.43 per share).

Chairman and CEO Statement

SUSTAINABILITY

The Group is always dedicated to an expanded scope of sustainability related areas of development:

- In the seventh Sustainability Report to be published, our disclosure on climate impact would also be aligned with the Taskforce on Climate-related Financial Disclosure recommendations, to improve transparency on how we identify risks associated with climatic changes;
- We have also set the targets of GHG emissions, energy consumption and waste in our major factory facilities in Changzhou and Shenzhen;
- Our scope of work and disclosure on social areas will also be expanded as detailed in the Sustainability Report; and
- The Group has established a Sustainability Working Group, to enhance the involvement from the Board of Directors on a regular basis.

Furthermore, the Group regards its staff safety as top priority, consistent with the firm belief that talents and technologies form the cornerstones of the Group's sustainable development. Soon after COVID-19 outbreak, a special task-force team, under the leadership of CEO and other senior management, was formed to lead the design of policies and procedures for hygiene and work resumption arrangement at each office, R&D center and production facility across the world. Its implementation abides by the most stringent standards in accordance to the relevant government regulations and guidelines. The relentless efforts, collectively contributed by our staff at all levels, have resulted in satisfactory progress of work resumption since mid-Feb 2020. Simultaneously, since COVID-19 outbreak, the Group management maintains regular communications with other stakeholders including customers, suppliers and other parties in the smartphone supply chain.

APPRECIATION

Our Board chairman, Mr. Koh Boon Hwee ("Mr. Koh") has decided not to seek re-election at the forthcoming annual general meeting ("AGM"), after serving the Company for 15 years. The Board of Directors would like to express sincere gratitude to Mr. Koh, for his extensive global business experience and professional leadership that has brought AAC Technologies from a Shenzhen-based acoustic manufacturing company 15 years ago, to a leader in miniature technologies with global footprints. Mr. Koh's leadership in the Company for the last 15 years has also been an invaluable contribution to a solid foundation for the Company's sustainable growth in the future.

Along with Mr. Koh, Mr. Poon Chung Yin Joseph ("Mr. Poon"), one of our independent non-executive Directors, chairman of the Audit and Risk Committee in the period from 2009 to 2018 and present chairman of the Remuneration Committee, has also decided not to seek re-election at the forthcoming AGM. Mr. Poon has served the Company for close to 11 years and his many contributions, including enhancement of the corporate governance of the Company, are instrumental to the Company's solid foundation.

The Board has proposed Mr. Zhang Hongjiang ("Mr. Zhang") to act as the Chairman of the Company, upon Mr. Koh's retirement. Mr. Zhang has been appointed as an independent non-executive Director to the Board of the Company since 1 January 2019. His full biography has already been described in the 2018 Annual Report. The Group looks forward to his leadership and contributions.

Finally, the Board would like to take this opportunity to thank our employees for their hard work and contributions during the year, especially in the recent period since the COVID-19 outbreak. Their determination and diligence demonstrated in bringing the Group's business back on track in the shortest period of time is very much appreciated, reiterating that our employees are our solid foundation for sustainable development and growth.

Koh Boon Hwee
Chairman

Pan Benjamin Zhengmin
Chief Executive Officer

25 March 2020

Market Review

During the first half of 2019, due to weakened upgrade demand and the lack of major breakthroughs in design specifications of new smartphones, global smartphone shipment has declined compared to a year ago. In the second half of 2019, specs upgrade momentum gradually resumed. Major android phone brands launched various flagship smartphone models with breakthrough designs and 5G functions, which have been well received by end users.

YoY smartphone shipment growth has also recovered well since 3Q 2019. As a result, the Group has seen a general increase of both shipment and ASP in the second half of the year as compared to the first half, and together with stringent cost control measures, there was an improvement in gross margin.

According to International Data Corporation ("IDC") report, overall annual global smartphone shipment in 2019 has decreased 2.3% YoY to 1.37 billion units, although a deceleration from the 4.1% YoY decline recorded in 2018.

With the advent of 5G era, 5G smartphone shipment is expected to achieve a significant growth in the future and provide the Group's revenue growth opportunities, notwithstanding the economic disruption by the COVID-19 outbreak in the short-term. Taking the data from IDC report, global 5G smartphone shipment in 2019 reached 19 million units and accounted for 1.4% of overall smartphone shipment for the year. Global 5G smartphone shipment is expected to grow exponentially to 199 million units and account for 15% of overall smartphone shipment by 2020; and to 400 million units and account for 28% of overall smartphone shipment by 2021. We believe we are well-prepared to take advantage of this growth of our addressable market.

"5G IOE commands a new cycle of hardware innovations"

"New trends of foldable screens create rooms for specs upgrade"

Performance of Business Segments

Acoustics (Dynamic components)

The stereo sound solutions based on SLS, combined with the unique back cavity design and patented material filling, collaborated with special optimization algorithms , can achieve ultra-low distortion, making the sound field broader, clearer and the bass more powerful.

SLS breaks through the traditional diaphragm design, the diaphragm sway is reduced by the double suspension structure, so the effective amplitude of the diaphragm vibration can be continuously improved, resulting in a fuller low frequency, higher volume with clearer and transparent sound quality.

2019

FY 2019 revenue and gross profit margin from the acoustics business amounted to RMB8.17 billion and 31.0% respectively, representing changes of -5.8% YoY and -6.2 percentage points, respectively from a year ago. 4Q 2019 revenue and gross profit margin amounted to RMB2.24 billion and 30.3% respectively.

Our proprietary acoustic platform, namely Super Linear Structure ("SLS") achieved the target 65% penetration rate of the Group's total Android module shipment by the end of 2019, and is expected to further increase to 80% by 2020. The classic version of SLS, with diaphragm attitude of ±0.65mm, has seen a remarkable leap in the acoustic performance as compared to other available products in the market. It has already been launched by various customers' projects and is expected to enter the key flagship models in 2020, with over 20% penetration rate by end of 2020.

2020 Strategy

DXOMARK, the leading independent source of quality has initiated measurements for smartphone, assessment of acoustic performance in October 2019. The top scorer has adopted the classic version of our SLS. This should further motivate the android smartphone brands, especially domestic customers, to further upgrade their acoustics specifications.

The Group will continue to extend the upgrade roadmap of SLS, by launching more versions in the future. The Group expects to start the mass production of ±0.75mm SLS product in 2020, and dual-speakers products will also be applied to the flagship and mid-end projects of customers. Furthermore, the Group is accelerating the market expansion into the arena of automobile, smart speakers, AR, TWS and other wearable devices market.

AAC's SLS

adopted

by the top scorer of DXOMARK

Performance of Business Segments

Optics

2019

FY 2019 revenue grew significantly 94% YoY to RMB1.07 billion. 4Q 2019 revenue improved significantly by 150% YoY to RMB0.34 billion. During 4Q 2019, ASP and yield have been on the rise, as a result of further enhancement of product mix and improvement of operational efficiencies. The gross margin of the optics business has improved remarkably during 4Q 2019 from the rest of the year.

The Group has been dedicating to R&D and strategic development of optics for a decade, and has identified optics as a future key strategic driver. We have set up R&D and manufacturing bases in 7 countries including Denmark and Japan, and in various cities in China including Changzhou, Nanning, Shenzhen and Chongqing etc. Our proprietary WLG technology platform is getting ready, and the upcoming launch of hybrid lens has greater competitive advantage over conventional plastic lens available in the market, with larger aperture, better heat resistance and less thickness. Amid the general trend of miniaturization and resolution improvement of optical components, the WLG technology platform offers great potential. Currently, WLG products have already completed 48M, 64M, 108M and periscope G+P certification, and is undergoing preparation for mass production, which is scheduled to kick off by 2Q 2020, with a shipment target of 30 million WLG lens for 2020.

For plastic lens: the Group has already started the shipment of 6P lens, and expects to start the shipment of 7P lens by 3Q 2020. The Group will accelerate the R&D on tele, wide angle, small camera, main camera and TOF depth of field etc., in order to achieve 64M, 108M or even higher resolutions. Monthly shipment is expected to exceed 100 million by July 2020.

WLG technology is AAC's first revolutionary glass lens design and manufacturing solution, enabling glass materials with better optical performance to be applied on a large scale in the smartphone market.

Through different combinations of WLG and plastic lenses, hybrid lenses offer flexible optical design and upgrade roadmaps with greater aperture, lower TTL and better thermal stability to greatly improve image quality and zoom capability for user experience enhancement.

2020 Strategy

Meanwhile, we are in progress of developing our camera module production facilities, and target overall mass production by May 2020, with 48M modules to start mass production by 3Q 2020. Camera modules with features like ultra wide angle, macro mode, main camera etc. have already been introduced to customers. We believe the Group can achieve a more vertically integrated capability with fully in-house manufactured components except CMOS, to cover each of the mid-to high-end products, and to further enhance our value proposition in the optics business.

Optics

as AAC's future key strategic driver

Performance of Business Segments

Electromagnetic Drives/Precision Mechanics

2019

FY 2019 revenue and gross margin from the combined segment of electromagnetic drives and precision mechanics business were RMB7.69 billion and 29.6% respectively. 4Q 2019 revenue and gross margin from the combined segment were RMB2.46 billion and 30.0% respectively.

During 4Q 2019, the revenue of the haptics business grew by 15.7% QoQ, driven by increased demand of customers across the Board, while the gross margin has shown a modest expansion. The Group expects to penetrate most flagship models of customers by 2020. The Group will step up the promotional effort of the low- and mid-end linear actuators to replace the Z-axis circular actuator in the market and target to achieve a 300% growth in the future, by expanding the applications of our electromagnetic drive technology to automobile, games controller, PC etc. Working closely with leading content and application providers, the Group continues to innovate to provide a broad range of product matrix tailoring to a variety of application scenarios ranging from low- to mid- and high-ends, and to fortify its technological moat. Collaborating with major game developers, the Group continues to develop solutions to enhance the gaming experience in different scenarios and to gain foothold in the ecosystem. We are focusing on developing holistic haptic path solutions running on Android and introducing them to different OEMs. Meanwhile, we have been developing additional new applications such as virtual edge buttons for smartphones to provide immersive user experience.

The stepper motor module business has also seen an ongoing momentum of shipment volume growth during 4Q 2019. The Group has further minimized the size and weight of the stepper motor via technological upgrade, and has developed a new feature of simultaneous popping-up, rotating and scanning of the stepper-motor. We will leverage on our technological leadership in electromagnetic drive as well as our extensive product portfolio to rapidly capture new market shares in speakers, TV and smart watches.

Thanks to the core electromagnetic and high precision manufacturing capabilities, stepper motors and decelerators have been developed, AAC is the only supplier of highly vertically integrated stepper motor modules in the market.

AAC produced the world's first horizontal (x-axis) vibration motor and is the world's largest supplier of horizontal vibration motors.

Horizontal vibration motor for low latency, high-acceleration tactile interaction, with strong vibration, low noise, long life and low power consumption, can be applied to virtual button solutions of smart device thus enhancing user experience of human-machine interaction.

2020 Strategy

Thanks to the high precision manufacturing capabilities, and on the back of the Group's proactive expansion of market share in 3Q 2019, the more complex designs in 4Q 2019 have translated into higher ASP and gross margin during the quarter. We are positive on the prospects of precision mechanics in FY 2020, fueled by higher demand in the forthcoming 5G era. Going forward, the Group will further enrich the product mix, with more product categories such as hinges, Zirconium based liquid metal, and LCP transmission modules etc., and will also accelerate the development of TWS earphones and miniaturized battery.

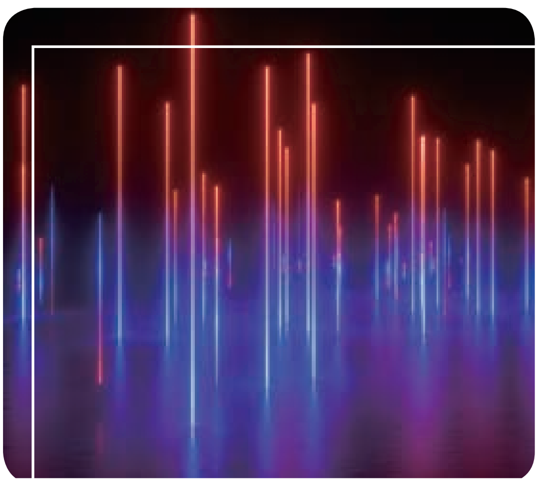
Performance of Business Segments

MEMS

2019

FY 2019 revenue and gross margin of MEMS business grew by 14.0% YoY and 0.9 percentage points to RMB0.93 billion and 27.5%, respectively. During 4Q 2019, the momentum of margin expansion continued, driven by increased adoption of in-house MEMS designs and manufacturing of digital ASIC chips.

The Group continues to promote proprietary MEMS microphones with optimized structural designs and reliability, satisfying various specification requirements of customers through proprietary and differentiated designs. In the high-end MEMs microphone with Signal to noise ratio ("SNR") of 70dB and above, the Group became the first domestic player to break the technological barrier dominated by overseas players, achieving various breakthroughs in terms of smaller size, better diaphragm vibration and efficient power consumption.



2020 Strategy

In future, the Group has plans to expand the scope of applications of high-end MEMS microphones with SNR of 69-70dB and above to smartphones and smart watch devices (with the exception of TWS headphones), in order to enhance the end-user experience. It will also increase the value-add proposition by microphones by applying bone conduction technology and integrating pressure sensor into one device. The Group will explore more sales and distribution channels, including distributorship and agency model, to further expand into global market. We target to double production capacity YoY in FY 2020, and achieve the production capacity of 3 billion units per annum over the next 5 years.

First domestic player

in high -end MEMS microphone with SNR of 70dB above

Financial Review

Revenue

2019 Group revenue declined YoY by 1%, to RMB17.9 billion. Owing to factors discussed above, revenue from the Acoustics and Electromagnetic Drives & Precision Mechanics decreased by RMB507 million and RMB379 million respectively, whilst Optics revenue saw an encouraging increase of RMB519 million, compared with 2018.

Gross Profit and Gross Profit Margin

2019 gross profit was RMB5.1 billion, representing a decrease by 24%, from the gross profit of RMB6.7 billion in 2018. The drop in gross profit was primarily due to the reduction in revenue and gross profit margin. Gross profit margin decreased to 28.6% in 2019 as compared with 37.2% in 2018. Although the overall yield and efficiency were improved, the gross profit margin was decreased owing to ASP pressures on legacy products and unfavorable product mix due to slow-down in innovation and specs upgrade.

Administrative Expenses

Administrative expenses in 2019 were RMB643 million, 1% lower, compared with RMB650 million in 2018.

Distribution and Selling Expenses

Distribution and selling expenses of RMB275 million in 2019, along with the decline in revenue, dropped by 13%, compared with RMB317 million in 2018. Amongst the drop, there was a corresponding decline in human resource payroll expenses.

Research and Development Expenses

Research and development ("R&D") expenses in 2019 were RMB1,717 million, 14% higher than RMB1,512 million in 2018. The increase was primarily attributable to the higher R&D related to optics business, in line with the Group's plan for a significant growth in production and shipments in the next 12 months and optics as a key growth driver in the future.

Finance Costs

Finance costs in 2019 amounted to RMB248 million, representing an increase of 14% compared with RMB218 million in 2018. Such increase in finance costs was due to the rise of market interest rates in 2019 and higher borrowing interest rate in long-term bank loans of our loan portfolio for better liability and risk management. The percentage of long-term bank loans as at 31 December 2019 is 67% of total bank loans (31 December 2018: 41%).

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in 2019 amounted to RMB330 million, representing a decrease of 35.8% from RMB514 million in 2018. While the effective tax rate have slightly increased compared with that of 2018, the increase was mainly due to expiration of tax concessions of some of our overseas subsidiaries.

Net Profit and Net Profit Margin

Reported net profit for 2019 was RMB2.2 billion, a decline by 41.5% compared with RMB3.8 billion in 2018. The decline was due to decline of revenue and gross profit margin, together with higher research and development costs incurred during the year contributed to the adverse 8.5 percentage points decrease in net profit margin to 12.4%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has always emphasized financial discipline and continues to maintain a strong liquidity position. The Company issued US$388,000,000 notes ("Notes"), unsecured, matured in 2024 to third party professional investors, and, the Notes (stock code: 40075) bear interest at the rate of 3.00% per annum, payable semi-annually in arrears on 27 May and 27 November in each year. Cash flows from (used in) our operating, investing and financing activities, are as below:

	For the year ended 31 December	
	2019	2018
	RMB million	RMB million
Net cash from operating activities	**3,843.5**	6,789.3
Net cash (used in) investing activities	**(3,394.6)**	(3,599.1)
Net cash from (used in) financing activities	**255.0**	(3,246.8)

Operating Activities

Cash inflow from operating activities was mainly generated from cash receipts from the Group's sales. Cash outflows were related to raw materials purchases, payroll, distribution and selling expenses, expenses incurred in R&D, administrative items and taxation charges. Net cash generated from operating activities was RMB3,843.5 million for 2019 (2018: RMB6,789.3 million).

i. Trade Receivables and Payables

As at 31 December 2019, turnover days of trade receivables decreased by 12 days to 79 days as compared to 31 December 2018. Trade receivables increased by RMB976.3 million to RMB4.3 billion. Aging of trade receivables (net of allowance for doubtful debts) based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB4,204.5 million (31 December 2018: RMB3,269.3 million), RMB140.4 million (31 December 2018: RMB94.9 million) and RMB0.4 million (31 December 2018: RMB4.8 million) respectively. The Company has received subsequent settlement totaling RMB2,991.1 million up to 29 February 2020, representing 68.8% of the total amount outstanding, net of allowances, as at the end of the reporting period.

The Group's trade payables turnover days decreased by 19 days to 103 days as compared to 31 December 2018. Aging of trade payables based on invoice dates between 0–90 days, 91–180 days and over 180 days were RMB3,346.9 million (31 December 2018: RMB2,593.2 million), RMB599.6 million (31 December 2018: RMB618.1 million) and RMB14.4 million (31 December 2018: RMB8.0 million) respectively.

ii. Inventory Turnover

As at 31 December 2019, the inventories have increased by RMB344.6 million compared to 31 December 2018. The inventory turnover days decreased to 100 days as at 31 December 2019 from 108 days for 31 December 2018.

Investing Activities

Net cash invested in 2019 and 2018, amounted to RMB3,394.6 million and RMB3,599.1 million, respectively. CAPEX will include acquisition of land use rights, additional production plant and property, and, latest automation machinery and equipment for modifications and upgrades as well as capacity expansion. For 2019 and 2018, total CAPEX incurred were RMB3,032.9 million and RMB3,903.3 million respectively. Investing activities are focused on sustained CAPEX programs in building technology platform per the Group's business progress to capture new market opportunities and support its long-term business strategies. CAPEX are funded by internal resources and bank loans, and are subject to annual CAPEX budgeting and approval by the Board.

Financing Activities

The Group recorded net cash from financing activities of approximately RMB255.0 million for 2019, and net cash used in 2018 was RMB3,246.8 million. Major inflow was due to the issuance of unsecured Notes amounted to RMB2,706.2 million (2018: nil), and outflows were dividend paid to Shareholders of RMB1,530.9 million (2018: RMB2,181.6 million). For 2019, the Group recorded net outflow from bank borrowings, new bank borrowings raised of RMB3,234.4 million (2018: RMB5,071.9 million) and repayment of bank loans of RMB3,497.6 million (2018: RMB5,627.1 million).

Cash and Cash Equivalents

As at 31 December 2019, the unencumbered cash and cash equivalents of the Group amounted to RMB4,814.4 million (31 December 2018: RMB4,058.9 million), of which 76.7% (31 December 2018: 61.9%) was denominated in US dollar, 18.4% (31 December 2018: 30.8%) in RMB, 2.0% (31 December 2018: 4.4%) in Hong Kong dollar, 1.2% (31 December 2018: 0.5%) in Euros, 0.4% (31 December 2018: 1.2%) in Japanese Yen, 0.3% (31 December 2018: 0.3%) in Vietnamese Dong, 0.3% (31 December 2018: 0.0%) in Indian Rupee, 0.2% (31 December 2018: 0.4%) in Singapore dollar, and 0.5% (31 December 2018: 0.5%) in other currencies.

Gearing Ratio and Indebtedness

As at 31 December 2019, the Group's gearing ratio, defined as total loans and unsecured Notes divided by total assets, was 24.6% (31 December 2018: 19.8%). Netting off cash and cash equivalents, net gearing ratio was 10.5% (31 December 2018: 6.2%).

As at 31 December 2019, the Notes of the Group was RMB2,685.5 million (31 December 2018: nil), the short-term bank loans and long-term bank loans of the Group amounted to RMB1,876.1 million (31 December 2018: RMB3,492.5 million) and RMB3,849.6 million (31 December 2018: RMB2,427.9 million) respectively.

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 and CAPEX of the Group.

Charges on Group Assets

Apart from bank deposits amounting to RMB11.1 million that were pledged to banks mainly in relation to construction work as at 31 December 2019 (31 December 2018: RMB2.1 million), no other Group assets were charged to any financial institutions.

OFF-BALANCE SHEET TRANSACTIONS

As at 31 December 2019, the Group had not entered into any material off-balance sheet transactions.

Key Risk Factors

The Group believes that the effective risk management and internal control systems are critical for the management of the strategic, market, operational, financial and compliance risks. The risk management framework is reported to the Audit and Risk Committee and the Board of Directors on a regular basis. The Group's risk management has been proven effective during the year under review, when the operational environment had been volatile. The risk and control measures are constantly reviewed and upgraded in order to proactively manage any emerging risks.

The key risk factors affecting the Group are outlined below. The list is non-exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may be immaterial now but could become material in the future. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks of supply chain and production disruption due to unforeseeable events

Towards the end of 2019, the coronavirus was discovered in China. The virus, named as COVID-19, has been subsequently reported in the rest of the world. The risk of a prolonged duration of COVID-19 outbreak might lead to significant disruption of production and shipment in the smartphone supply chain, including that of the Group. In the unlikely event that infection of COVID-19 by a large number of the Group's employees the productivity of the Group's operations might be adversely impacted, including the possibility of closure of some premises of the Group. The above may adversely affect the Group's operating results.

The Group has experience in risk management related to the epidemic outbreak, the last seen in the period of 2002 to 2003 with the SARS outbreak. The Group responded on a timely basis to the outbreak of COVID-19. Directed by the top management, the Group dedicated significant resources on ensuring a safe and hygienic working environment for the resumption of work. The Group closed most of the offices and production plants in China for a certain period in February 2020, in strict accordance with the regulations and guidance by the local authorities and the government. Upon implementation of the appropriate precautionary measures, most offices and production plants have gradually re-opened in February 2020. The Group did not see any significant adverse impact on the supply of raw materials and machinery since COVID-19 outbreak. The key risk pertains to a continuous normal operation resumption and is under close scrutiny by senior management.

Risks Pertaining to the Smartphones Segment

A substantial part of the Group's revenue is derived from the smartphone segment of the consumer electronics market. The overall global market for smartphones had contracted in 2018 and 2019, although the contraction magnitude was narrowed since the second half of 2019. However, unforeseeable global events such as a prolonged COVID-19 outbreak might also delay the new product launches by the smartphone companies and hence, dampen the consumption sentiment. A continual contraction in the global smartphone market might adversely affect the Group's operating results and financial condition.

The Group is relentlessly enriching its products and technologies platforms, to widen their potential applications and to diversify the sources of revenue and profit to reduce its dependency on any single market segment. Our substantial on-going investments in R&D, leading to an expanded collection of 4,411 patents in total across various technology platforms, should also help to contribute innovation and business momentum within the smartphone market segment.

Key Risk Factors

Reliance on a Number of Key Customers

The Group's five largest customers, which accounted for 79.7% of the Group's total revenue, are all related to the dynamic consumer electronics industry, characterized by innovation-driven and user experience-oriented business growth. Loss of or changes in market position of any of these customers may materially and adversely affect the Group's business, financial condition and results of operations.

By end of 2019, the Group has re-structured the key business units, with higher orientation of key customer accounts, on top of the divisions by the key technology platforms. The Group believes that the re-structuring should enable provision of more vertical integrated solutions to the key customers and lead to higher differentiation of the Group's solutions from the competitors.

The Group is also utilizing "big data" system in our operations, which will help to set up a solid base for continual improvement in product reliability and to meet the customer needs in more effective and efficient ways.

Furthermore, the Group has also implemented standardized procedures for handling all forms of customer information to ensure it is not improperly or inadvertently disclosed to third parties. The Group has strong established relationships with these major customers; all of them have been our customers for over 8 years. The credit terms granted to them are in the range of 60- to 90-day periods and are generally in line with those granted to other customers.

Operational and Obsolescence Risks

The Group's operation is subject to a number of risk factors specific to designing and delivering new technology solutions. Our business continues to focus on miniature components and develop new products and technologies platforms. In meeting future design specifications and production quality requirements, our successful track record would not guarantee continual success. Changes in technological design and performance specifications or other external factors might have various levels of negative impact on the results of operations. Additionally, production, data security and quality issues might happen despite internal systems and policies set up for their prevention, which might lead to financial loss, litigation, or damage in reputation.

We believe that the Group has a seasoned process in ensuring that we meet design specifications and quality requirements, and there are many overlapping core design and production competencies that the Group possesses. This will put the Group in a strong competitive position in terms of design capacity and manufacturability, time-to-market delivery and continuous enhancement of user experience. Also, the Company continuously treats information security as a priority strategic topic and has implemented a comprehensive range of measures to safeguard its data assets from breaches, leaks and hacks. In addition, the Group constantly reviews competition and market trends. The Group is committed to strive for innovation and maintain a competitive position with a wide lead in knowledge. The Group has reinvested significant resources on research and development to build broad sustainable technology roadmaps and intellectual property portfolios

The Group has put in place a quality management system. All products are subject to thorough and comprehensive testing to meet customers' requirements and international standards. The Group will continue to improve internal process capability, including evaluation of "big data" system in our operation, and set up a solid base for continual improvement in product reliability.

Key Risk Factors

Liquidity and Interest Rate Risks

The Group manages liquidity risk by maintaining an adequate level of cash and cash equivalents, through continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities, and diversifying the sources of funding at reasonable costs.

The Group is exposed to interest rate risks on its bank loans for working capital and CAPEX that are associated with the expansion of the Group. Upward fluctuations in interest rates may increase the costs of both existing and new loans. During the year ended 31 December 2019, there was heightened expectation of USD interest rate hikes, although the situation quickly turn around in early 2020 when the global economy showed signs of downside risks upon COVID-19 outbreak, and various major central banks around the world cut interest rate on "Super Tuesday" in early March 2020.

During the year under review, the Group's effective interest rate on fixed rate bank loans was higher in the range of 2.90% to 4.75% per annum, while the effective interest on variable-rate bank loans was from 1.89% to 4.03% per annum. To certain extents, the Groups USD deposits served as a natural hedge to the risk of interest rate volatilities. In November 2019, the Group has completed the issuance of five-year USD bond, amounted to USD388 million, to further enhance asset-liability management catering for fund stability as well as interest rate risk.

The Group's financial assets include bank balances and cash, pledged bank deposits, trade and other receivables, amounts due from related companies, derivative financial instruments, financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, which represent the Group's maximum exposure to credit risk in relation to financial assets. The credit risk on liquidity is limited because the counterparties are established banks with good credit-ratings.

Foreign Exchange Risks

Given our international operations and presence, the Group faces foreign exchange exposure including transaction and translation exposure. The Group's reporting currency is RMB and our sales to overseas customers are predominantly denominated in USD, therefore the Group is exposed to exchange rate risks that could impact financial reporting results.

The cash inflow to the Group in denominations of the two currencies, namely RMB and USD, are mostly, over time, in balanced proportions. In addition, various bank facilities have been arranged in these two currencies, to meet our daily operating expenses and capital investment requirements. 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. Hence, in our operating business model, the Group's revenue is mostly matched to the currencies of the outlay; which in the past few years, had mitigated the impact of foreign exchange fluctuations. 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.

Risks pertaining to trade dispute between China and the US

The trade dispute between China and the US, involving potential addition of tariffs and other trade barriers across a range of exported goods from each other, started in 2018 and persisted throughout 2019; while a Phase One trade deal had been signed between China and the US on 15 January 2020, effective from 14 February 2020.

The Group is not aware of any of its key raw materials and products being included in the latest targeted lists. The Group's products are also not directly exported to the US. So far, the Group's business operations have not experienced any significant impact from the trade disputes. The Group will continue to monitor any new developments as well as assessing any adverse and material business implications which might arise.

Key Risk Factors

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual 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 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 document; 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.

Since listing, the Company has been making quarterly results announcements. The Company has experienced, and expected to continue to experience, fluctuations in sales and results of operations from one quarter to the next. We believe that QoQ and YoY comparisons of our periodic results of operations are, to some extent, meaningful to reflect cyclical nature of the industry the Company operates in. However, such comparisons should not be relied upon as sole indicators of the longer term performance such as annual results.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Pan Benjamin Zhengmin ("Mr. Pan")
Aged 51, Executive Director ("ED") and Chief Executive Officer ("CEO")
Appointed to the Board: 15 December 2003

Mr. Pan co-founded the Group in 1993. He is responsible for providing strategic direction and leadership and for developing and implementing the Group's strategic objectives and business plans. Specifically, Mr. Pan has held critical leadership roles with responsibilities for overseeing the sales, marketing, research and development, manufacturing, along with the Group's international expansions and operations. 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 some of the Company's acoustic products.

Mr. Pan graduated from 江蘇省武進師範學校 (Jiangsu Province Wujin Teacher School) in 1987. Mr. Pan is the spouse of Ms. Wu Ingrid Chun Yuan ("Ms. Wu"), the non-executive Director and a substantial shareholder of the Company; and the father of Mr. Pan Kaitai, the Chief Innovation Officer 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 Listing Rules) of the Group.

The term of appointment of Mr. Pan and 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") are respectively set out in the "Directors and Service Contracts" and "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" sections of the Directors' Report on pages 41 to 44 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 (the "Articles").

Biographies of Directors and Senior Management

Mr. Mok Joe Kuen Richard ("Mr. Mok")
Aged 56, Executive Director
Appointed to the Board: April 2005 as Independent non-executive Director ("INED")
Redesignated: 5 October 2009 as ED

Mr. Mok is responsible for the finance operations, and legal and compliance of the Group. He has over 30 years of experience in the financial services industry, including employments with international accountancy firms such as KPMG, the Hong Kong-listed South China Holdings Company Limited, the investment banking firm, Asian Capital Partners Group and the Hong Kong-listed financial services group Dah Sing Financial Holdings Limited.

Mr. Mok is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Institute of Chartered Accountants in England and Wales. He graduated with a Bachelor degree of Economics from the London School of Economics and Political Science, London University and held a diploma in applied psychology from Hong Kong Baptist 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.

The term of appointment of Mr. Mok and the interests of Mr. Mok in the shares (within the meaning of Divisions 7 and 8 of Part XV of the SFO) are respectively set out in the "Directors and Service Contracts" and "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" sections of the Directors' Report on pages 41 to 44 of this annual report. Mr. Mok is subject to retirement by rotation and re-election in accordance with the Articles.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Koh Boon Hwee ("Mr. Koh")
Aged 69, INED and Chairman of the Board
Appointed to the Board: 9 November 2004

Mr. Koh brings with him extensive management experience and leadership, and has over 30 years of experience in the IT-related and electronics industries.

Mr. Koh is currently the chairman of Sunningdale Tech Ltd and Far East Orchard Ltd (all listed in Singapore), Agilent Technologies, Inc. (listed in the US), and Rippledot Capital Advisers Pte Ltd, a private company. He is also the chairman (executive) of Credence Partners Pte Ltd, which manages Credence Capital, a private equity fund focused on SMEs in South East Asia. In addition, he is a director of GIC Private Limited, and a member of its investment board. 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.

Previously, Mr. Koh was chairman of DBS Group Holdings Ltd, Singapore Airlines Ltd, SIA Engineering Company Ltd, Yeo Hiap Seng Limited, Singapore Telecom Group, and its predecessor organizations, Omni Industries Ltd. (all listed in Singapore); executive chairman of Wuthelam Holdings Pte Ltd, and managing director of Hewlett Packard Singapore. He was also a director of Temasek Holdings Pte Ltd, and a member of the executive committee of its board.

Mr. Koh holds a Master's Degree in Business Administration (Distinction) from Harvard Business School. He graduated with a Bachelor's Degree (First Class Honours) in Mechanical Engineering from the Imperial College, University of London.

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.

The term of appointment of Mr. Koh and the interests of Mr. Koh in the shares (within the meaning of Divisions 7 and 8 of Part XV of the SFO) are respectively set out in the "Directors and Service Contracts" and "Directors' and Chief Executive's Interest in Shares and Underlying Shares and Debentures" sections of the Directors' Report on pages 41 to 44 of this annual report. Mr. Koh is subject to retirement by rotation and re-election in accordance with the Articles.

Biographies of Directors and Senior Management

Mr. Au Siu Cheung Albert ("Mr. Au"), BBS
Aged 68, INED
Appointed to the Board: 1 February 2018
Chairman of Audit and Risk Committee and Member of Remuneration Committee

Mr. Au has more than 40 years of experience in the accountancy profession. Mr. Au is currently the Special Advisor of BDO Limited, a private company. He is an independent non-executive director and the chairman of the audit committee of Café de Coral Holdings Limited (listed in Hong Kong).

Mr. Au is the chairman of the Hong Kong Trade Development Council's professional services advisory committee.

Previously, Mr. Au was the founder and chairman of BDO Limited. He was an independent non-executive director of Hong Kong International Theme Parks Limited. He was president of the Hong Kong Institute of Certified Public Accountants. He was chairman of the Independent Commission Against Corruption's corruption prevention advisory committee and served as a member of its advisory committee on corruption. He was the vice chairman of the Hong Kong Coalition of Professional Services Limited. He was a member of the Air Transport Licensing Authority, the Federation of Hong Kong Industries general committee, the Hong Kong Housing Authority and the Hong Kong Productivity Council where he was also chairman of audit committee. He was a non-executive director of the Securities and Futures Commission (SFC), as well as the chairman of the SFC's audit committee and deputy chairman of the budget committee, member of the SFC (HKEC Listing) appeals committee, the investment committee and the remuneration committee. Mr. Au was an independent non-executive director of ZA Bank Limited (formerly known as ZhongAn Virtual Finance Limited) and ZhongAn Financial Services Limited.

Mr. Au is a Fellow of HKICPA and a member of the Canadian Institute of Chartered Accountants. He graduated with a Bachelor of Commerce degree from the University of British Columbia Canada.

Mr. Au does not have any relationships with other Directors, senior management, substantial shareholders, or controlling shareholders (as defined in the Listing Rules) of the Group.

The term of appointment of Mr. Au is set out in the "Directors and Service Contracts" section of the Directors' Report on pages 41 to 42 of this annual report. Mr. Au is subject to retirement by rotation and re-election in accordance with the Articles.

Biographies of Directors and Senior Management

Mr. Zhang Hongjiang ("Mr. Zhang")
Age 59, INED
Appointed to the Board: 1 January 2019
Chairman of Nomination Committee and Member of Remuneration Committee

Mr. Zhang is currently an independent director of Huami Corp (listed in the US); an independent non-executive director of BabyTree Group (listed in Hog Kong); and an independent director of China Shenzhen listed (神州數碼集團股份有限公司). He is a venture partner of Source Code Capital and a consultant to ByteDance Ltd, and Mr. Zhang has also been a Senior Advisor to The Carlyle Group's Asian private equity platform and chairman of Beijing Academy of Artificial Intelligence.

Previously, he was the chief executive officer and executive director of Kingsoft Corporation Limited (listed in Hong Kong) and a former director of Cheetah Mobile Inc., Xunlei Ltd. and 21Vianet Group, Inc. (all listed in the US). Mr. Zhang was a director and chief executive officer at Kingsoft Cloud Holdings Limited, a private company in China. He also served as the chief technology officer at Microsoft Asia R&D Group and assistant managing director of Microsoft Research Asia. He was appointed as one of the first 10 Microsoft Distinguished Scientists in 2010.

Mr. Zhang is a Fellow of the Institute of Electric and Electronic Engineers ("IEEE") and Association for Computing Machinery ("ACM"). Mr. Zhang received a Philosophy Doctor in Electrical Engineering from the Technical University of Denmark. He graduated with a Bachelor of Science degree from Zhengzhou University.

Mr. Zhang was the recipient of the 2012 ACM SIGMM Outstanding Technical Achievement Award, the 2010 IEEE Computer Society Technical Achievement Award, and the 2008 Asian American Engineer of the Year (AAEOY) award.

Mr. Zhang does not have any relationships with other Directors, senior management, substantial shareholders, or controlling shareholders (as defined in the Listing Rules) of the Group.

The term of appointment of Mr. Zhang and the interests of Mr. Zhang in the shares (within the meaning of Division 7 and 8 of Part XV of the SFO) are respectively set out in the "Directors and Service Contracts" and "Directors' and Chief Executive's interest in Shares and Underlying Shares and Debentures" sections of the Director's Report on pages 41 to 44 of this annual report. Mr. Zhang is subject to retirement by rotation and re-election in accordance with the Articles.

Biographies of Directors and Senior Management

Mr. Poon Chung Yin Joseph ("Mr. Poon")
Aged 65, INED
Appointed to the Board: 5 October 2009
Chairman of Remuneration Committee and Member of Audit and Risk Committee

Mr. Poon is currently an independent non-executive director of Hysan Development Company Ltd., a company listed in Hong Kong. He is a non-executive director of Tai Chong Cheang Group, a member of advising committee of Asia Pacific Institute for strategy and a board advisor of Clean Air Network.

He was formerly the group managing director and deputy chief executive officer of Tai Chong Cheang Group, managing director and deputy chief executive of Hang Seng Bank Limited and had held senior management posts in HSBC Group and a number of international renowned financial institutions. Mr. Poon was the former chairman of Hang Seng Index advisory committee, Hang Seng Indexes Company Limited, a former member of the board of Inland Revenue of Hong Kong Special Administrative Region and the Environment and Conservation Fund investment committee, and a former committee member of the Chinese General Chamber of Commerce.

Mr. Poon is a member of Chartered Accountants Australia and New Zealand, and HKICPA. Mr. Poon is also a Fellow of the Hong Kong Institute of Directors. He graduated with a Bachelor of Commerce degree from the University of Western Australia.

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.

The term of appointment of Mr. Poon is set out in the "Directors and Service Contracts" section of the Directors' Report on pages 41 to 42 of this annual report. Mr. Poon is subject to retirement by rotation and re-election in accordance with the Articles.

Mr. Kwok Lam Kwong Larry ("Mr. Kwok"), SBS, JP
Aged 64, INED
Appointed to the Board: 1 February 2018
Member of Audit and Risk Committee and Nomination Committee

Mr. Kwok is currently an independent non-executive director of Café de Coral Holdings Limited, Shenwan Hongyuan (H.K.) Limited, Starlite Holdings Limited and non-executive director of First Shanghai Investments Limited (all listed in Hong Kong). He is also an independent non-executive director of CMB Wing Lung Bank Limited, a private company in Hong Kong.

Mr. Kwok is a practicing solicitor in Hong Kong, and is a partner of Kwok Yih & Chan, Solicitors. He is also qualified to practice as a solicitor in Australia, England and Wales and Singapore. Mr. Kwok is a fellow member of HKICPA, CPA Australia and The Institute of Chartered Accountants in England and Wales. Mr. Kwok graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

Mr. Kwok does not have any relationships with other Directors, senior management, substantial shareholders, or controlling shareholders (as defined in the Listing Rules) of the Group.

The term of appointment of Mr. Kwok is set out in the "Directors and Service Contracts" section of the Directors' Report on pages 41 to 42 of this annual report. Mr. Kwok is subject to retirement by rotation and re-election in accordance with the Articles.

Biographies of Directors and Senior Management

Mr. Peng Zhiyuan ("Mr. Peng")
Age 47, INED
Appointed to the Board: 1 January 2019
Member of Audit and Risk Committee and Nomination Committee

Mr. Peng has over twenty years of experience in corporate finance and management. He has served as senior management in various multi-national institutions over the past 15 years. He is currently the Global Strategy Officer for Sands Capital Management.

Previously, Mr. Peng was the founder and chief executive officer of a start-up company in Virginia in innovative eco-friendly technology applications. He was the managing director in the Securities Division and the Investment Banking Division at Goldman Sachs (Asia) LLC, and executive director in the Fixed Income Division at Morgan Stanley. Mr. Peng also served in various roles with Standard Chartered Bank, Bank One (now J.P. Morgan), and AVIC International.

Mr. Peng is a board member of the board of Trustees for Darden School Foundation, and CAV Angels, a non-profit early stage angels investment community related to alumnus of University of Virginia. He also served on the board of Trustees for Virginia Foundation for Independent Colleges. Mr. Peng holds a Master of Business Administration from Darden School of Business, University of Virginia. He graduated with a bachelor's degree in Engineering and Finance from Beijing University of Aeronautics and Astronautics.

Mr. Peng does not have any relationships with other Directors, senior management, substantial shareholders, or controlling shareholders (as defined in the Listing Rules) of the Group.

The term of appointment of Mr. Peng is set out in the "Directors and Service Contracts" section of the Director's Report on pages 41 to 42 of this annual report. Mr. Peng is subject to retirement by rotation and re-election in accordance with the Articles.

Biographies of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Wu Ingrid Chun Yuan
Aged 49, Non-executive Director
Appointed to the Board: 4 December 2003

Ms. Wu co-founded the Group in 1993. As a non-executive Director of the Group, she is not involved in the day-to-day operations of the Group.

Ms. Wu graduated from 常州衛生學校 (Changzhou School of Public Health) in 1989. She is the spouse of Mr. Pan, the executive Director, CEO and a substantial shareholder of the Company; and the mother of Mr. Pan Kaitai, the Chief Innovation Officer of the Company. She is also a director of Sapphire Hill Holdings Limited and K&G International Limited, both substantial shareholders 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.

The term of appointment of Ms. Wu and the interests of Ms. Wu in the shares (within the meaning of Divisions 7 and 8 of Part XV of the SFO) are respectively set out in the "Directors and Service Contracts" and "Directors' and Chief Executive's Interest in Shares, Underlying Shares and Debentures" sections of the Directors' Report on pages 41 to 44 of this annual report. Ms. Wu is subject to retirement by rotation and re-election in accordance with the Articles.

SENIOR MANAGEMENT

Mr. Duan Yunjian Jack ("Mr. Duan")
Aged 47, Chief Operating Officer
Date of Appointment: 1 October 2014

Mr. Duan leads global sales and marketing. His team listens to the market to determine what technologies will deliver differentiated user experiences. This drives AAC R&D to develop enabling technologies. AAC sales promotes leading edge technologies to our strategic partners to support their market share growth and increased profitability. Mr. Duan has held senior technical, sales, marketing and global supply management positions at various electronics companies in the PRC and the US, such as Foxconn, Hewlett-Packard and Oracle. Mr. Duan obtained Master degrees in Engineering from University of Southern California and University of California, San Diego. He graduated with a Bachelor of Science degree in Engineering Physics from Peking University.

Mr. Ho Siu Tak Jonathan ("Mr. Ho")
Aged 47, Legal Director and Company Secretary
Date of Appointment: 25 March 2020

Mr. Ho joined the Company in April 2018 as Legal Director. He was also appointed as Company Secretary on 25 March 2020. He was awarded with a Master's degree in Economics Law from the Peking University and a Bachelor's degree of Law from the University of Hong Kong. Being a member of the Law Society of Hong Kong, he has over 20 years' experience in legal and management. He has acted as various senior roles in several Hong Kong main board listed companies.

Dr. Kim Chul Ho ("Dr. Kim")
Aged 58, Chairman of Asia Pacific Region (ex-PRC)
Date of Appointment: 20 November 2019

Dr. Kim joined the Company in December 2007. Currently serves as Vice President of Human Resources. Effective from 20 November 2019, Dr. Kim also serves as chairman of Asia Pacific Region (ex-PRC), with the objective to establish a stronger corporate presence in this region and responsible for enforcing strategic relationships with key customers, suppliers and partners, contributing to the Group's global expansion initiatives, establishing relations with regional governments and institutions, and locating and recruiting world-class talents of top technical, marketing and management personnel in this region.

Dr. Kim is experienced in the development of electronic device and related mass production technologies, and also did research and development management for over 15 years in Samsung Korea. Dr. Kim has successfully developed many key devices and related mass production technologies for mobile terminal.

Dr. Kim obtained a Doctor's degree of material science at Seoul National University and finished post doctor course in Korean Institute of Science and Technologies (KIST).

Mr. Pan Kaitai Kelvin ("Mr. Kelvin Pan")
Aged 28, Chief Innovation Officer and Senior Vice President of R&D and IT
Date of Appointment: 24 August 2019

Mr. Kelvin Pan joined the Company in March 2014. Currently serves as the Chief Innovation Officer, he devotes to the long term investments in advanced technologies, and drives innovation through strategic transformations on the structures, processes, and human capital of the organization. Meanwhile, Mr. Kelvin Pan leads the research & development team to produce technology roadmaps and invent new products that deliver improvements in user experience and product performance. Under his supervision, the team has completed an abundant range of research projects that are crucial for the development of next generation technologies. In addition, he manages the information technology team with a focus on increasing organizational collaboration efficiency by utilizing leading edge technologies and optimizing cross departmental workflow.

Mr. Kelvin Pan holds a Bachelor of Science degree in Mathematics and Computer Science awarded by Boston University. He is the son of Mr. Pan, the ED and CEO of the Company, and Ms. Wu, a non-executive Director of the Company, both of them are the substantial shareholders of the Company.

Mr. David Plekenpol ("Mr. Plekenpol")
Aged 60, Chairman of European and American Regions
Date of Appointment: 20 November 2019

Formerly our Chief Strategic Officer, Mr. Plekenpol joined the Company in February 2010. He had led the advanced technology team to identify forward-looking technologies to be integrated with the Company's products and solution platforms to contribute to the creation of superior and differentiated end-user experiences.

Effective from 20 November 2019, Mr. Plekenpol has been appointed as chairman of European and American Regions, with the objective to establish a stronger corporate presence in these regions and re-enforce strategic relationships between the Group and regional customers, suppliers and governments. He is responsible for the investigation and tracking of new technologies from these regions and their potential impact to AAC Technologies. Importantly, through the globalization strategy of AAC Technologies, he will assist the Group to identify and recruit top technical, marketing and management personnel in these regions.

Mr. Plekenpol has spent twenty-five years in the telecom industry, with executive positions in both Lucent and Alcatel. He has founded two Silicon Valley venture capital backed startup companies, led sales and marketing for an optical component startup in Scotland and spent two years with a venture capital backed Chinese mobile design startup in Shanghai before joining AAC Technologies. Mr. Plekenpol is a member of the international advisory board for the University of Edinburgh Business School. He has an undergraduate degree from Dartmouth College and an MBA from the Graduate School of Business at Stanford University.

Directors' Report

The Directors of the Company present their annual report and the audited consolidated financial statements for the year ended 31 December 2019, which were approved by the Board of Directors on 25 March 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in Management Discussion and Analysis on pages 17 to 21 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 36 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2019 are provided in note 43 to the consolidated financial statements. Details of principal risks and uncertainties affecting the Company are provided in Key Risk Factors on pages 25 to 28 of this annual report. An analysis of the Group's performance is provided in the summary of the results and of the assets and liabilities of the Group for the last five financial years as set out on page 172 of this annual report. Analysis using financial key performance indicators (KPIs) are provided in the Financial Highlights on pages 8 to 9 and Financial Review on pages 22 to 24 of this annual report. In addition, discussions on the Group's environmental, social and governance policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report and section of Sustainability on pages 56 to 90. The sustainability report for 2019 will be available on the Company's corporate website on 14 April 2020.

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 95.

An interim dividend of HK$0.40 per ordinary share was paid during the year. In line with the prudent financial management of the Group, the Directors of the Company decided not to declare a final dividend for the year ended 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of the retained earnings, the share premium accounts and the special reserve which amounted to RMB1,707,881,000 (2018: RMB1,716,775,000). Under the section 34 of Cayman Islands Companies Law, the share premium of the Company is available for distribution or paying dividends to Shareholders subject to the provisions of its Memorandum of Association ("Memorandum") and Articles of Association ("Articles") 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 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.

Directors' Report

SHARE CAPITAL

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Pan Benjamin Zhengmin (CEO)
Mok Joe Kuen Richard

Independent Non-executive Directors:

Koh Boon Hwee (Chairman of the Board)
Au Siu Cheung Albert
Zhang Hongjiang (Appointed on 1 January 2019)
Poon Chung Yin Joseph
Kwok Lam Kwong Larry
Peng Zhiyuan (Appointed on 1 January 2019)
Tan Bian Ee (Retired at the conclusion of the 2019 AGM on 24 May 2019)

Non-executive Director:

Wu Ingrid Chun Yuan

Appointment and Re-election of the Directors of the Company

In accordance with Article 84 of the Articles, Mr. Koh, Mr. Poon and Mr. Mok will retire by rotation at the forthcoming annual general meeting ("AGM") of the Company. Messrs. Koh and Poon had notified the Company that they would not seek for re-election at the said AGM. Mr. Mok, being eligible, offers himself for re-election at the forthcoming AGM of the Company.

It has been proposed to appoint Mr. Zhang as chairman of the Board, with effect after the conclusion of 2020 AGM.

Directors' Service Contract

Each of Messrs. Au and Kwok will enter into a letter of appointment with the Company for a term from the date of 2020 AGM to be held on 15 May 2020 until the conclusion of the AGM of the Company to be held in 2022, 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 of the Company for any reason pursuant to the Company's Articles or any other applicable law.

Each of Mr. Pan, Mr. Mok, Ms. Wu, Mr. Koh and Mr. Poon has entered into a letter of appointment with the Company for a term from the date of 2019 AGM held on 24 May 2019 until the conclusion of the AGM of the Company to be held in 2021, 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 of the Company for any reason pursuant to the Company's Articles or any other applicable law.

Each of Mr. Peng and Mr. Zhang has entered into a letter of appointment with the Company for a term from 1 January 2019 until the conclusion of the AGM of the Company to be held in 2021, 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 of the Company for any reason pursuant to the Company's Articles or any other applicable law.

Other than as disclosed above, no Director of the Company proposed for re-election at the forthcoming AGM 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and considers that the independent non-executive Directors are independent.

Biographical details of the Directors of the Company and senior management of the Group as at the date of the annual report are set out on pages 29 to 39.

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

As at 31 December 2019, the beneficial interests of the Directors of the Company 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					Percentage of the Company's issued shares as at 31 December 2019[1]
Name of Directors of the Company	Capacity	Personal interests	Corporate interests	Spouse interests	Other interests	Total number of shares	
Mr. Pan [2]	Beneficial owner/interest of spouse/ interest of controlled corporation/ founder of a discretionary trust	69,512,565	51,439,440	262,820,525	111,545,122	495,317,652	40.98%
Ms. Wu [3]	Interest of spouse/interest of controlled corporation/founder of a discretionary trust	–	262,820,525	120,952,005	111,545,122	495,317,652	40.98%
Mr. Koh	Beneficial owner	795,562	–	–	–	795,562	0.06%
Mr. Mok	Beneficial owner	100,000	–	–	–	100,000	< 0.01%
Mr. Zhang	Beneficial owner	100,000	–	–	–	100,000	< 0.01%

Notes:

(1) Percentage was computed based on the 1,208,500,000 issued shares as at 31 December 2019.

(2) 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 representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited and (b) 127,991,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-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 descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and they have no discretion over distributions or investments in these trusts until distribution is made to them.

(3) Ms. Wu is deemed or taken to be interested in the following shares for the purposes of the SFO:

(i) 262,820,525 shares representing the aggregate of (a) 134,828,594 shares which are beneficially owned by Sapphire Hill Holdings Limited; and (b) 127,991,931 shares which are beneficially owned by K&G International Limited. These two companies are wholly-owned by Ms. Wu;

(ii) 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

(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 descendants, as beneficiaries of the Pan 2005 Irrevocable Trust dated 10 May 2005; and (b) 4,738,844 shares which are deemed to be interested by Mr. Pan and Ms. Wu's descendants, as beneficiaries of the Pan 2005 Exempt Trust dated 10 May 2005. Two children of Mr. Pan and Ms. Wu are over the age of 18 and they have no discretion over distributions or investments in these trusts until distribution is made to them.

Long positions in the debentures of the Company:

Name of Directors	Capacity/Nature of interest	Principal amount of Notes [1] held (USD)
Mr. Pan [2]	Interest of spouse/Family interest	330,000
Ms. Wu [3]	Interest of controlled corporation/Corporate interest	330,000

Notes:

(1) The Company issued US$388,000,000 notes ("Notes"), to be matured in 2024 to third party professional investors, and, the Notes were listed on the Stock Exchange (stock code: 40075). The Notes bear interest at the rate of 3.00% per annum, payable semi-annually in arrears on 27 May and 27 November in each year.

(2) Mr. Pan is deemed or taken to be interested in this amount of Notes which were held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu and as Ms. Wu is his spouse, he is deemed to be interested in such amount of Notes.

(3) Ms. Wu is deemed or taken to be interested in this amount of Notes which were held by Sapphire Hill Holdings Limited, a company wholly-owned by Ms. Wu.

Other than as disclosed above, as at 31 December 2019, none of the Directors of the Company, 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.

Disclosure of Conflict of Interest

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 prior to the Board meetings and, as appropriate, Directors will or will be asked to withdraw from the meetings.

Arrangements to Purchase Shares or Debentures

Save as disclosed in this annual report, 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 close 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 2019, the Group had entered into the continuing connected transactions with certain connected persons of the Company reported in this section. They constituted non-exempt continuing connected transactions subject only to the announcement, reporting and annual review requirement under Chapter 14A of the Listing Rules.

2017 Lease Agreements

The Group entered into certain lease agreements ("2017 Lease Agreements") with respective lessors for the lease of offices and production facilities necessary for the business activities of the Group on 16 December 2016 (as amended by subsequent supplemental agreements). A brief recap and actual amount of applicable taxes required to be paid of the transactions is as follows:

Date of agreement	Lessee	Lessor	Property	Total Leased Floor Area (Approximately sq.m)	Term	Usage	Annual Caps RMB'000	2019 Actual RMB'000
16.12.2016	The Group	深圳市遠宇實業發展有限公司 (Shenzhen Yuanyu Industrial Development Co., Ltd.) ("Shenzhen Yuanyu")	1A01, 6-10A, 6-8C, Roof A, Nanda Building, Nanshan, Shenzhen, PRC	9,656.41	1.1.2017 – 31.12.2019	Offices	2017 – 12,168 2018 – 12,168 2019 – 12,168	12,167
16.12.2016	The Group	常州市來方圓電子有限公司 (Changzhou Laifangyuan Electronics Co., Ltd.) ("Changzhou LFY")	Nanxiashu Town, Wujin District, Changzhou, Jiangsu Province, PRC	14,896 (including ancillary areas)	1.1.2017 – 31.12.2019	Factory and warehouse	2017 – 2,357 2018 – 2,357 2019 – 2,395	2,140
16.12.2016	The Group	江蘇遠宇電子投資集團有限公司 (Jiangsu Yuanyu Electronics Investment Group Co., Ltd.) ("Jiangsu Yuanyu")	Yuanyu Technologies Building, Science & Education Mega Centre, Wujin District, Changzhou, Jiangsu Province, PRC	29,919 (including ancillary areas)	1.1.2017 – 31.12.2019	Factory and offices	2017 – 10,607 2018 – 10,607 2019 – 10,716	10,571
16.12.2016	The Group	紅光(越南)塑業有限公司 (Hongguang Viet Nam Plastic Company Limited) ("HVPC")	Lot E3-3 Que Vo IP, Van Duong Commune, Bac Ninh city, Bac Ninh Province, Vietnam	3,344	1.1.2017 – 31.12.2019	Warehouse	2017 – US$232,512 2018 – US$232,512 2019 – US$232,512 (including estimated water and electricity costs)	US$175,186

2017 Purchase Agreements and Supplemental 2017 HGCJ Master Purchase Agreement

The Group entered into certain purchase agreements ("2017 Purchase Agreements" and "Supplemental 2017 HGCJ Master Purchase Agreement") with respective supplier for the purchase of raw materials necessary for the production activities of the Group on 16 December 2016 and 10 November 2017. A brief recap and actual amount of applicable taxes required to be paid of the transactions are as follows:

Date of agreement	Purchaser Group	Supplier Group	Materials for purchase	Term	Annual Caps RMB'000	2019 Actual RMB'000
16.12.2016	The Group	常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd.) ("Changzhou Model")	Supplement materials in manufacturing process e.g. modules and stamping components of acoustic products	1.1.2017 – 31.12.2019	2017 – 58,500 2018 – 81,900 2019 – 105,300	5
16.12.2016 (revised on 10.11.2017)	The Group	a) 常州市武進湖塘何家紅光沖件廠 (Wujin Hutang Hejia Hongguang Stamping Factory) ("HGCJ") b) 紅光(越南)塑業有限公司 (Hongqueg Viet Nam Plastic Company Limited ("HVPC"))	Packaging and stamping materials e.g. foam blocks, calcium plastic boards, load plates, carrier bands , plastic plates and plastic trays etc.	1.1.2017 – 31.12.2019	2017 – 67,760 2018 – 94,864 2019 – 119,025	92,932
16.12.2016	The Group	常州市友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd.) ("Changzhou Yousheng")	Parts for use in acoustic component e.g. foam, adhesives, mesh, domes, ear cushions, insulation mats and resistance neeb	1.1.2017 – 31.12.2019	2017 – 76,050 2018 – 91,260 2019 – 100,620	35,281
16.12.2016	The Group	成都中科來方能源科技有限公司 (自2018年12月起改名為四川茵地樂材料科技集團有限公司) (Chengdu Zhongke Laifang Power Science & Technology Co., Ltd., renamed as Sichuan Yindile Materials Technology Group Co., Ltd. from December 2018) ("Chengdu ZKLP" renamed as "YDL Materials")	Materials e.g. chemical materials	1.1.2017 – 31.12.2019	2017 – 35,100 2018 – 58,500 2019 – 93,600	484

2020 Lease Agreements (Renewal of 2017 Lease Agreements)

In view of the expiry of the 2017 Lease Agreements in order to continue to secure ongoing and future office and production premises as required, the Group renewed the 2017 Lease Agreements by entering into new lease agreements ("2020 Lease Agreements") with the respective lessors for the lease of offices and production facilities necessary for the business activities of the Group on 20 December 2019. A brief recap of the transactions is as follows:

Date of agreement	Lessee	Lessor	Property	Total Leased Floor Area (Approximately sq.m)	Term	Usage	Annual Caps RMB'000	Renewal/New
20.12.2019	The Group	深圳市遠宇實業發展有限公司 (Shenzhen Yuanyu Industrial Development Co., Ltd.) ("Shenzhen Yuanyu")	The Shenzhen Yuanyu Nanda Premises at Nanda Building, Nanshan, Shenzhen, PRC.	10,540.96	1.1.2020 – 31.12.2022	Offices	2020 – 13,282 2021 – 13,282 2022 – 14,079	Renewal
20.12.2019	The Group	常州市來方圓電子有限公司 (Changzhou Laifangyuan Electronics Co., Ltd.) ("Changzhou LFY")	The Changzhou LFY Gang Qiao Premises at Nanxiashu Town, Wujin District, Changzhou, Jiangsu Province, PRC.	13,369 (including ancillary areas)	1.1.2020 – 31.12.2022	Factory and warehouse	2020 – 1,918 2021 – 1,955 2022 – 2,029	Renewal
20.12.2019	The Group	江蘇遠宇電子投資集團有限公司 (Jiangsu Yuanyu Electronics Investment Group Co., Ltd.) ("Jiangsu Yuanyu")	The Jiangsu Yuanyu Technologies Building Premises at Science & Education Mega Centre, Wujin District, Changzhou, Jiangsu Province, PRC.	29,736 (including ancillary area)	1.1.2020 – 31.12.2022	Factory and offices	2020 – 10,556 2021 – 11,082 2022 – 11,608	Renewal
20.12.2019	The Group	紅光(越南)塑業有限公司 (Hongguang Viet Nam Plastic Company Limited) ("HVPC")	The HVPC Premises at Lot E3-3 Que Vo IP, Van Duong Commune, Bac Ninh city, Bac Ninh Province, Vietnam.	3,344	1.1.2020 – 31.12.2022	Warehouse	2020 – US$160,600 2021 – US$160,600 2022 – US$160,600 (excluding estimated water and electricity costs)	Renewal

2020 Purchase Agreements (Renewal of 2017 Purchase Agreements and Supplemental 2017 HGCJ Master Purchase Agreement)

Likewise, in view of the expiry of the 2017 Purchase Agreements and Supplemental 2017 HGCJ Master Purchase Agreement, and, in order to assure the continuous supply of production materials to cope with the Group's expected production needs on similar terms, the Group renewed the aforementioned agreements by entering into new purchase agreements ("2020 Purchase Agreements") with the relevant connected persons. A brief recap of the transactions is as follows:

Date of agreement	Purchaser Group	Supplier Group	Materials for purchase	Term	Annual Caps RMB'000	Renewal/New
20.12.2019	The Group	a) 常州凌迪電子科技有限公司 (Changzhou Lingdi Electronics Technologies Co., Ltd.) ("Changzhou Lingdi"); and b) 紅光(越南)塑業有限公司 (Hongguang Viet Nam Plastic Company Limited) ("HVPC")	Certain materials and products including but not limited to foam blocks, calcium plastic boards, load plates, carrier bands, plastic plates and plastic trays	1.1.2020 – 31.12.2022	2020 – 120,000 2021 – 130,000 2022 – 140,000	Renewal
20.12.2019	The Group	常州市友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd.) ("Changzhou Yousheng")	Parts for use in acoustic and optical components e.g. foam, adhesives, mesh, domes, ear cushions, insulation mats and resistance neeb	1.1.2020 – 31.12.2022	2020 – 60,000 2021 – 80,000 2022 – 90,000	Renewal
20.12.2019	The Group	四川茵地樂材料科技集團有限公司 (前名為"成都中科來方能源科技有限公司") Sichuan Yindile Materials Technology Group Co., Ltd. ("YDL Materials") (formerly known as "Chengdu Zhongke Laifang Power Science & Technology Co., Ltd." ("Chengdu ZKLP"))	Materials e.g. chemical adhesives	1.1.2020 – 31.12.2022	2020 – 20,000 2021 – 25,000 2022 – 30,000	Renewal

Pursuant to the 2017 Leasing Agreements and 2017 Purchase Agreements as well as Supplemental 2017 HGCJ Master Purchase Agreement, relevant members of the Group entered into separated leasing agreements and purchase orders with respect to each of the continuing connected transactions. The terms of, and the consideration payable under each of these leasing agreements and purchase orders were negotiated on arm's length bases, on normal commercial terms or better, which, from the Group's perspective, were no less favorable than those which the relevant members of the Group could obtain from independent third-parties. In addition to the above, to ensure the transactions contemplated under the 2017 Purchase Agreements and Supplemental 2017 HGCJ Master Purchase Agreement to be fair and reasonable, the Group obtained quotations from no less than two independent third-party suppliers in addition to the quotation from connected person so that the Group will compare three quotations for procurement of materials and products.

The Group's internal audit function has reviewed the continuing connected transactions for the year ended 31 December 2019, and the internal control systems. The Group's internal audit function has (i) conducted quarterly evaluation and assessment on the internal control systems, the pricing mechanism and the Group's IT procurement system; (ii) performed regular internal audit checking on the Group's continuing connected transactions; (iii) alerted the Group's compliance and procurement departments on a timely basis if there is any issue identified; and (iv) submitted a quarterly report to the Directors regarding the results of the above-mentioned evaluation, assessment as well as internal audit checking so as to ensure that the continuing connected transactions in 2019 were conducted in accordance with the terms of the 2017 Leasing Agreements, 2017 Purchase Agreements, and Supplemental 2017 HGCJ Master Purchase Agreement, and in compliance with the internal control systems.

Confirmation from the Directors and the Auditors

The independent non-executive Directors had reviewed the continuing connected transactions in 2019 and the findings, and, reports provided by the Group's internal audit function, and are satisfied that the pricing mechanism and internal control systems in place were sufficient, and effective, and the transactions were entered into by the Group (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company has engaged its external auditor to review 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 Directors of the Company reported that the auditor had confirmed the matters set out in rule 14A.56 of the Listing Rules regarding the continuing connected transactions for the year ended 31 December 2019.

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

The Connected Relationships

The relevant parties to the above continuing connected transaction with the Group and a description of their connected relationships with the Group are as follows:

The connected party	The person in relation with connected party
Changzhou LFY	A company owned by Mr. Pan Zhonglai, Mr. Pan's Father and Ms. Xie Yufang, Mr. Pan's Mother each as to 50%
Changzhou Lingdi	A company owned by Ms. Ye Huamei, Ms. Wu's Mother as to 51% and Ms. Wu Yayuan, Ms. Wu's sister as to 49%
Changzhou Model	A company indirectly wholly-owned by Mr. Pan Zhonglai, Mr. Pan's Father
Changzhou Yousheng	A company owned by Ms. Xie Yufang, Mr. Pan's Mother as to 30% and Ms. Pan Lijun, Mr. Pan's sister as to 70%
HGCJ	A company indirectly wholly-owned by Ms. Ye Huamei, Ms. Wu's Mother
HVPC	A wholly-owned subsidiary of HGCJ
Jiangsu Yuanyu	A company owned by Changzhou LFY and Changzhou Yulai Electronics Co., Ltd. (a company ultimately beneficially owned as to 50% by each of Mr. Pan Zhonglai, Mr. Pan's Father and Ms. Xie Yufang, Mr. Pan's Mother)
Shenzhen Yuanyu	A company wholly-owned by Ms. Ye Huamei, Ms. Wu's Mother
YDL Materials (formerly known as "Chengdu ZKLP")	A subsidiary of Jiangsu Yuanyu, and which is also indirectly held as to 30% by Ms. Wu

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 40 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the register of interests and short positions kept by the Company under Section 336 of the SFO, other than the Directors of the Company and chief executive, showed that the following persons held interests or short positions in the Company's shares, some of which were represented 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:

Name of Shareholders	Capacity	Number of shares	Derivative interest	Percentage of the Company's issued shares as at 31 December 2019[(1)]
GIC Private Limited [(2)]	Investment Manager	84,481,000(L)	–	6.99%
JPMorgan Chase & Co. [(3)]	Interest of controlled corporation/ Person have security interest in shares/Investment Manager/ Trustee/Approved lending agent	119,539,346(L)	7,121,652(L)	10.48%
		7,330,205(S)	4,593,383(S)	0.98%
		20,892,188(P)	–	1.72%

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

Notes:

(1) Percentage was computed based on the 1,208,500,000 issued shares as at 31 December 2019.

(2) Mr. Koh, the chairman of the Board and an independent non-executive Director of the Company holding around 0.06% of the Company's share capital, is currently a member of the investment board of GIC Private Limited.

(3) JPMorgan Chase & Co., through its various 100% controlled corporations and a 49% controlled corporation (namely China International Fund Management Co., Ltd.) ("JPMorgan Group"), is indirectly interested in (i) an aggregate of 119,539,346 shares and listed derivative interests of 1,265,650 shares with cash settled, unlisted derivative interests of 574,002 shares with physically settled, and unlisted derivative interests of 5,282,000 shares with cash settled in long position; and (ii) an aggregate of 7,330,205 shares and listed derivative interests of 779,800 shares with cash settled, unlisted derivative interests of 2,149,441 shares with physically settled, unlisted derivative interests of 1,664,142 shares with cash settled in short position. Among them, 111,560,441 shares were held by JPMorgan Group as a trustee, including 111,545,122 shares held by J.P. Morgan Trust Company of Delaware which were represented 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 20,892,188 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.

EMOLUMENT POLICY

The Remuneration Committee assisted the Board on formulating remuneration policy and reviewing the emoluments of senior management and the Directors of the Company. Responsibilities and work performed in 2019 by the Remuneration Committee are stated on pages 73 to 77 in the Corporate Governance Report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles, subject to relevant laws, every Director of the Company shall be indemnified out of the assets of the Company against all losses and liabilities which the Directors of the Company may sustain or incur in or about the execution of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors of the Company.

SHARE AWARD SCHEME

As announced by the Company on 23 March 2016, the Board resolved to adopt a share award scheme (the "Scheme") in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purpose of the Scheme is to permit the Company to grant Awards to Selected Employees as incentives for their contributions to the Group and to attract suitable personnel for further development of the Group. The maximum number of shares that may be awarded under the Scheme during its term is limited to 1.65% (i.e. 19,940,250 shares as at 25 March 2020 due to the cancellation of repurchased shares) of the issued share capital of the Company from time to time. The maximum number of Awarded Shares that may be granted to any one Selected Employee shall not exceed 0.5% (i.e. 6,042,500 shares as at 25 March 2020 due to the cancellation of repurchased shares) of the issued share capital of the Company from time to time. Pursuant to the Scheme, shares will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by Bank of Communications Trustee Limited (the "Trustee") at the cost of the Company and will be held by the Trustee on trust for Selected Employee(s) under the Scheme before vesting. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretional scheme of the Company.

Since the date of adoption of the Scheme and up to 31 December 2019, no shares had been subscribed or purchased by the Trustee pursuant to the rules and trust deed of the Scheme and no shares had been granted to Selected Employee(s) under the Scheme.

The capitalised terms referred in this section shall have the same meanings as those defined in the announcement made by the Company on 23 March 2016 relating to the adoption of the Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into during the year or subsisted at the end of this year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company believes that in addition to the sustained increase of earnings per share and the intrinsic value per share, the repurchase of the Company's shares at the appropriate timing could also be an important metric to enhance long-term value of our shareholders.

At the AGM on 24 May 2019, the Company's shareholders granted a general mandate to the Directors of the Company to repurchase shares of the Company (the "Repurchase Mandate"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued shares of the Company as at the date of the AGM (the "then Issued Shares").

During the year ended 31 December 2019, the Company had repurchased, under the Repurchase Mandate, a total of 7,500,000 shares, representing approximately 0.62% of the issued 1,218,000,000 shares as at 31 December 2018. The aggregate consideration of HK$319,854,000 for the repurchase was paid out from the Company's retained profits.

All repurchased shares have been cancelled as at the date of this annual report. The share repurchase reflects the Company's solid financial position and the Board's strong confidence in the Company's future business prospects. The Directors of the Company believe that the share repurchase was in the interest of Shareholders as a whole, enhancing the net asset value per share and earnings per share of the Company.

Details of the repurchases are as follows:

Month	Total number of the ordinary shares	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate consideration[1] (HK$'000)
January 2019	3,500,000	46.90	40.20	152,154
May 2019	4,000,000	42.50	40.75	167,700

Note:

(1) Including brokerage, transaction levy, stamp duty and transaction cost of HK$743,000.

Apart from the above, 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 31 December 2019.

HUMAN RESOURCES

As at 31 December 2019, the Group employed 39,385 permanent employees, around 9% increase from 35,995 employees as at 31 December 2018, mainly due to the expanded production in Nanning and Vietnam. Although there was an increment in employee size, the actual output and productivity per employee had further improved due to the Group's past and continuous effort on implementation of automation.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. Management from time to time reviews the Group's remuneration policy and appraises the work performance of its employees. In addition to basic salaries, allowances, social insurance and mandatory pension fund contribution, certain employees and employee groups are also eligible for the Group's bonus plan and share award scheme.

As required by the relevant regulations, the Group participates in the social insurance schemes operated by the relevant local government authorities in the PRC. The Group also participates in the mandatory pension fund and social insurance schemes for its employees in the Czech Republic, Denmark, Finland, Hong Kong, India, Japan, the Philippines, Singapore, South Korea, Taiwan, the United Kingdom, the US and Vietnam.

The Company is committed to invest in talents to develop innovative products for next generation designs. The Company has already established and continues to expand its various R&D centers in Asia, Europe and North America, including a long-established collaboration with universities, and others, on many different projects. The R&D center in Hong Kong Science Park is in operation.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 79.7% of the Group's total revenue from sales while the revenue from sales attributable to the Group's largest customer was approximately 33.0% of the Group's total revenue from sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers were 20.0% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 6.9% of the Group's total purchases.

As at 31 December 2019, Ms. Wu, a non-executive Director of the Company, holding more than 5% of the Company's share capital, had beneficial interests in one of the Group's five largest customers. The customer has the usual trading terms as any other customers of the Group. At no time during the period and up to the date of this annual report, had Ms. Wu's interests in the customer exceeded 1%.

GIC Private Limited, a substantial Shareholder holding 6.99% of the Company's share capital, had beneficial interests (not exceeded 5%) in four of the Group's five largest customers and had beneficial interests (not exceeded 5%) in two of the Group's five largest suppliers. These four customers and two suppliers have the usual trading terms as any other customers and suppliers of the Group.

To the knowledge of the Directors of the Company, both Ms. Wu and GIC Private Limited have never been directors, nor involved in management, of these customers or the suppliers.

Save as disclosed above, none of the Directors of the Company, their close associates or any Shareholder which to the knowledge of the Directors of the Company, owns more than 5% of the Company's share capital had an interest in any of the five largest customers or suppliers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors of the Company or their respective close 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 of the Company to represent the interests of the Company and/or the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

SUFFICIENCY OF PUBLIC FLOAT

In accordance with the publicly available information and as far as the Directors of the Company are aware, the Company has maintained a public float of more than 25% of the Company's issued shares throughout the financial year ended 31 December 2019 and has continued to maintain the public float as at the date of this annual report.

AUDITOR

The consolidated financial statements for the year have been audited by Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the AGM 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
25 March 2020

Corporate Governance Report

CORPORATE GOVERNANCE POLICY AND PRACTICES

The Board and the Company consider effective corporate governance not only a safeguard of the interests and confidence of our stakeholders, but also a key component in the Group's sustainable long term development and value creation. Our Board is at the centre of our corporate governance structure, setting, regularly reviewing and refining the principles, policies and practices appropriate to the conduct and growth of the Group's operations. Our sound corporate governance structure includes a quality Board, high standards of corporate responsibility and sustainability awareness, a high degree of transparency, accountability and independence, and, an effective design, implementation and enforcement of the risk management and internal control systems.

Based on regular reviews of the Company's actual performance against the Corporate Governance Code, including the amendments effective from 1 January 2019 (the "CG Code") in Appendix 14 of the Listing Rules, the Board is satisfied that throughout the financial year ended 31 December 2019, the Company complied with all the code provisions of the CG Code (the "Code Provision(s)"). Furthermore, the Company aims to go beyond Code Provisions compliance by embracing the latest best and recommended corporate governance practices, such as linking a significant proportion of the executive Directors' remuneration to corporate and individual performances, the Board and Committees conducting annual evaluation of the Board and Committees performance, and having effective whistleblowing policy in place.

The Board recognizes the need to continuously adapt and improve our corporate governance policies and practices in light of our experience, increasingly stringent regulatory requirements, international developments and stakeholders expectations. It is committed to high standards of disclosure as well as to excellence in corporate governance. The Company's Corporate Governance framework comprises the following key components:

I. Board and Executive Management
II. Governance Structure and Board Committees
III. Corporate Governance Code
IV. Legal and Regulatory Compliance
V. Company Secretary
VI. Internal Audit, Risk Management and Internal Control
VII. External Statutory Audit
VIII. Code of Conduct and Whistleblowing Policy
IX. Shareholders Engagement and Value
X. Shareholders' Rights

Details of the key components related to Corporate Governance framework are also available on the website of the Company.

BOARD AND EXECUTIVE MANAGEMENT

The overall stewardship of the Company's operations is vested in the Board. The Board takes central responsibilities to formulate, approve, evaluate and regulate the overall strategic directions and policies of the Company. In doing so, the Board will oversee and review the Company's business including operating performance, effectiveness of risk management and internal control systems, corporate governance policies, compliance, organization structure and management's performance.

The positions of Chairman and CEO are separate. Our CEO has the overall responsibility for carrying out the strategy and direction set by the Board and for managing the Group's business. During the year, the management runs the day-to-day operation with the related financial limits of a schedule of matters designated for management approved by the Board. 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.

Corporate Governance Report

GOVERNANCE STRUCTURE & BOARD COMMITTEES

Composition of Board and Committees

Board of Directors

Koh Boon Hwee	(INED & Chairman of the Board)
Au Siu Cheung Albert	(INED)
Zhang Hongjiang	(INED) ~ Appointed on 1 January 2019
Poon Chung Yin Joseph	(INED)
Pan Benjamin Zhengmin	(ED & CEO)
Mok Joe Kuen Richard	(ED)
Kwok Lam Kwong Larry	(INED)
Peng Zhiyuan	(INED) ~ Appointed on 1 January 2019
Wu Ingrid Chun Yuan	(NED)

Audit and Risk Committee* (all INEDs)	Nomination Committee* (all INEDs)	Remuneration Committee* (all INEDs)
Established in April 2005	Established in April 2005	Established in April 2005
Current Members	**Current Members**	**Current Members**
Au Siu Cheung Albert (Chairman)	Zhang Hongjiang (Chairman)	Poon Chung Yin Joseph (Chairman)
Poon Chung Yin Joseph	Kwok Lam Kwong Larry	Au Siu Cheung Albert
Kwok Lam Kwong Larry	Peng Zhiyuan	Zhang Hongjiang
Peng Zhiyuan		

* There is no fixed term of office of the Committee members. The Board will review the same periodically.

The Board's Roles and Responsibilities

Our Board plays more than a key role in our Corporate Governance Framework. Under the leadership of our Chairman, the Board actively promotes the success of the Group by directing and supervising its affairs in a responsible and effective manner.

Some of the key responsibilities of the Board include:

Strategy & Management

- The Board will formulate, update and refine the Group's strategy and business objectives.
- Every quarter, major investing and financing activities will be approved and management is evaluated on the implementation progress to monitor the Group's businesses against plan and budget.
- Overseeing the management of the Group's relationships with stakeholders.

Corporate Governance, Risk Management & Sustainability

- The Board will approve amendments to policies and review implementations related to Group's Corporate Governance, internal controls, risk management and sustainability practices.

Financial Results

- The Board will approve the Group's annual budgets, quarterly, interim and annual financial statements and results announcements, recommend reappointment of external auditor and declare interim and final dividends (if any).

Effectiveness of Committees

- The performances of the Board and the Committees are evaluated by all Directors annually.
- All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Board Committees Structure

In discharging its governance and other responsibilities, the Board has established individual Board Committees with defined terms of reference to assist the full Board. The three Board Committees, all chaired by independent non-executive Directors and comprising all independent non-executive Directors, are illustrated in the following governance structure:

STAKEHOLDERS

↓ ↑

BOARD OF DIRECTORS

- Collectively responsible for long-term success of the Group and interests of Shareholders
- Oversees overall governance, financial performance and sustainability development of the Group

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EXECUTIVE DIRECTORS & SENIOR MANAGEMENT

- Delivers the Company's strategies and objectives including assessing and identifying technology trends and development, for the Company
- Day-to-day management of the Group's businesses operation
- Analyses the global market situation and sales performance of the Company's products
- Provides input and reviewing on production planning
- Conducts products and key accounts analysis
- Implements sales & products strategy for customers
- Estimates products sales status and forecast

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Operations

AUDIT & RISK COMMITTEE
p. 66-69 has more details

- Ensures proper financial reporting and disclosure
- Reviews risk management, compliance and internal control systems
- Ensures prudent and effective controls are in place to duly assess and manage risks
- Reviews the Company's policies and practices on corporate governance
- Reviews on compliance with legal and regulatory requirements
- Reviews the Company's compliance with the CG Code and disclosure of the CG report
- Monitors internal audit, oversees the relationship and coordination between the Company, Head of internal audit and external auditor

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Internal Audit Team / External Auditor

NOMINATION COMMITTEE
p. 69-73 has more details

- Recommends Board appointments and ensuring proper and transparent procedures
- Reviews Board structure, size, composition and diversity of the Board
- Assesses independence of independent non-executive Directors
- Succession planning for Chairman and CEO
- Reviews and monitors the training and continuous professional development of Directors
- Being consulted upon the hiring, promotion and appointment of senior management

REMUNERATION COMMITTEE
p. 73-77 has more details

- Sets remuneration policy and structure for executive Directors, non-executive Directors and senior management
- Plans and reviews management's remuneration proposals with reference to the Board's corporate goals and objectives
- Determines executive Directors' and senior management's remuneration and incentives

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Board Composition / Senior Management / Human Resources

Details of the responsibilities of the Board Committees are set out below. Their terms of reference, including their duties, have been published on the websites of the Stock Exchange and the Company.

Delegation by the Board

In addition to the individual Board Committees, established to assist the full Board in specific areas, the responsibilities for delivering the Company's strategies and objectives, and day-to-day management of the Group's businesses are delegated to the executive Directors, and the team of senior management.

Board Process

Board meetings are held regularly and at least four times a year at approximately quarterly intervals with active participation of the Directors, either in person or through electronic communication. Apart from the regular scheduled Board meetings, other Board meetings will be held in occasions when appropriate, such as publishing announcements.

Board and Committees Evaluation

Separate INED meeting

The INEDs held meetings in the absence of the executive Directors and management during 2019 to evaluate the performance of the executive Directors and the effectiveness of the Board on 22 March and 23 August 2019.

Evaluation

In addition, we undertake a performance evaluation of our Board and Committees internally on a yearly basis. In March 2019 and March 2020, the Board, Audit and Risk Committee, Nomination Committee and Remuneration Committee underwent an annual evaluation of their effectiveness and performance with regard to the years 2018 and 2019 respectively, through completion of questionnaires by the Board and Committee members.

Questionnaire — Key Evaluation Areas

- Structure and Composition of the Board and Committees, such as size, selection process
- Responsiveness to special incidents, diversity of Board members
- Board culture and collegiality
- Board information quality: accuracy, relevance, digestibility, timeliness and access to management
- Board process and adequacy of meetings
- Relationship with management (performance measures, visibility, mutual trust)

The results of the evaluation were such that the Board and all Committees were found to be operating effectively, nothing significant had affected the Board or the Committees performance and no material issue needed to be tabled for discussion. Reporting of matters by all the Committees to the Board were found to be clear and adequate. The Directors are satisfied that the Board and its Committees have the right mix of expertise, experience and skills.

Independency of Directors

Mr. Koh has served the Company for more than 10 years. His corporate management and technology investment experience, and, knowledge of the business of the Company and the industry in which the Company operates continue to contribute significantly to the Company. Through exercising the scrutinizing and monitoring function of Chairman and an independent non-executive Director, he had contributed to an upright and efficient Board for the interests of Shareholders. During his tenure, Mr. Koh has been able to fulfill all the requirements regarding independence of an independent non-executive Director and provide annual confirmation of independence to the Company under Rule 3.13 of the Listing Rules. Mr. Koh will retire from office by rotation at the 2020 AGM.

Mr. Poon has served the Company for more than 10 years. His corporate management, financial investment and risk management experience of the industry in which the Company operates continue to contribute significantly to the Company. Through exercising the scrutinizing the function of an independent non-executive Director, he has been able to fulfill all the requirements regarding independence of an independent non-executive Director and provide annual confirmation of independence to the Company under Rule 3.13 of the Listing Rules. Mr. Poon will retire from office by rotation at the 2020 AGM.

Ms. Wu is not considered as independent, as she is the spouse of the CEO, Mr. Pan, and together with the CEO and their family, has a substantial interest (holding approximately 40.98% interest in the Company as at the financial year ended 31 December 2019). Her knowledge and investment experience of the industry in which the Company operates continue to contribute valuably to the functioning of the Board as a whole. In common with all Directors, she is aware of her responsibilities as a Director to all Shareholders.

In the event that the interests of the Shareholder and the Company are not aligned, the Board prioritizes the Company's interests over that of any Shareholder. When the major Shareholder is materially interested in a matter, the relevant Directors will, according to the Articles, abstain from voting on such resolutions.

The Board is committed to maintain an independent Board comprising a majority of independent non-executive Directors, two executive Directors, and a non-executive Director. We separate the roles of our CEO, Mr. Pan, and chairman of the Board, Mr. Koh, an independent non-executive Director since the first date of listing. We believe that this Board structure demonstrates our commitment to good corporate governance and benefits our shareholders by enhancing the oversight of management by the Board, and encouraging balanced decision making.

An updated list of Directors identifying their roles and functions and whether they are independent non-executive Directors has been published on 24 May 2019 on the websites of the Stock Exchange and the Company, and under the section of Biographies of Directors and Senior Management of this annual report on pages 29 to 39. Terms of appointment for all non-executive Directors (including independent non-executive Directors) were set out in the Directors' Report on pages 41 to 42.

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

Disclosure of Conflict of Interest

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 prior to the Board meetings and, as appropriate, Directors will or will be asked to withdraw from the meetings.

Identified related party transactions are disclosed in Directors' Report from page 45 to 50. Also, as disclosed on page 54, as at 31 December 2019, Ms. Wu, a non-executive Director of the Company, holding more than 5% of the Company's share capital, had beneficial interests in one of the Group's five largest customers. The customer has the usual trading terms as any other customers of the Group. At no time during the year and up to the date of this annual report, had Ms. Wu's interests in the customer exceeded 1%. Ms. Wu has never been director of the customer nor involved in its management.

Save as disclosed above, none of the Directors of the Company, their close associates had an interest in any of the five largest customers or suppliers.

Board Agenda Schedule

Sufficient notice of 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 receive 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. The minutes are also made available for inspection by all the Directors and the external auditor.

Board Activities

January - March 2019

- preliminary assessment of management accounts for the 3-month ending 31 March 2019
- reporting from Audit and Risk Committee and other committees (if appropriate)
- 2018 annual results and report
- 2018 final dividend
- evaluation of Board performance for the year 2018
- audit matters for the year 2018
- re-appointment of external auditor for the year 2019
- connected transactions/continuing connected transactions
- directors' and officers' liability insurance
- sustainability report for the year 2018
- risk management & internal controls
- corporate governance compliance
- AGM matters of 2019
- Company's policies, updating terms of reference of the Audit and Risk Committee and Remuneration Committee
- business operation and legal updates

April - June 2019

- reporting from Audit and Risk Committee and other committees (if appropriate)
- quarterly results
- risk management & internal controls
- connected transactions/continuing connected transactions
- business operation and legal updates

July - September 2019

- reporting from Audit and Risk Committee and other committees (if appropriate)
- 2019 interim results and report
- interim dividend for the half year 2019
- audit matters for the half year 2019
- risk management & internal controls
- connected transactions/continuing connected transactions
- business operation and legal updates

October - December 2019

- reporting from Audit and Risk Committee and other committees (if appropriate)
- quarterly results
- budget for the forthcoming year
- risk management & internal controls
- connected transactions/continuing connected transactions and renewal of annual cap for the years 2020-2022
- business operation and legal updates

January - March 2020

- reporting from Audit and Risk Committee and other committees (if appropriate)
- 2019 annual results and report
- evaluation of Board performance for the year 2019
- audit matters for the year 2019
- re-appointment of external auditor for the year 2020
- connected transactions/continuing connected transactions
- directors' and officers' liability insurance
- sustainability report for the year 2019
- risk management & internal controls
- corporate governance compliance
- AGM matters of 2020
- Company's Articles and policies
- retirement of INEDs, change of chairman of the Board, Company Secretary and agent for the service of process in Hong Kong
- business operation and legal updates

Corporate Governance Report

Work done by the Board in 2019 and to date

During the year 2019 and up to the date of this annual report, the Board performed, considered and/or resolved the following matters:

Policies

- reviewed the Company's policies, including Board Diversity Policy, Dividend Policy, and Whistleblowing Policy
- reviewed and approved the amendments to Corporate Disclosure Policy, and Shareholders Communication Policy
- approved the Nomination Policy

Stakeholders

- reviewed, recommended and declared dividend payments
- reviewed investor relations program and strategies

Business and Financial Operations

- 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 new 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 accounting principles and practices and approved the relevant quarterly, interim and annual results and financial statements and the related announcements
- reviewed monthly operations and financial updates, and, where appropriate, approved the related announcements (if any)
- reviewed the Environmental, Social and Governance ("ESG") policy
- approved and published our annual sustainability reports for the years of 2018 and 2019
- submitted resolution at the AGM for re-appointment of external auditor

Corporate Governance

- performed the duties of corporate governance functions under Code Provision D.3.1 , which included in the Board's terms of reference
- reviewed the segregation of duties between Chairman & CEO
- reviewed and evaluated the Enterprise Risk Management ("ERM") system 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

Board Committees

- reviewed terms of reference of the Nomination Committee and Board & Directors' Duties
- reviewed and approved updated terms of reference of the Audit and Risk Committee, and Remuneration Committee
- reviewed and approved the recommendations made by the Nomination Committee and Remuneration Committee
- considered retirement of INEDs, change of chairman of the Board, Company Secretary and agent for the service of process in Hong Kong
- renewed the appropriate insurance coverage for Directors and Officers arranged by the Company

Directors' Attendance in Board Meeting, Committee Meetings & AGM

During the financial year ended 31 December 2019, the Board convened a total of 5 Board meetings and the AGM. Each Director is expected to attend each meeting of the Board and the Committees on which he or she serves. Directors are also expected to attend the Company's AGM or otherwise absent with a valid reason. All Directors attended the Company's 2019 AGM.

Attendance of the Directors at Board meetings, Committee meetings and AGM during the year are as follows:

Directors	Board	Audit and Risk Committee (Note 1)	Nomination Committee (Note 2)	Remuneration Committee	AGM (Note 1)
Total Number of Meetings	5	4	1	3	1
Executive Directors					
Pan Benjamin Zhengmin (CEO)	5	1	N/A	1	1
Mok Joe Kuen Richard	5	4	1	3	1
Independent Non-executive Directors					
Koh Boon Hwee (Chairman of the Board)	5	3	1	N/A	1
Au Siu Cheung Albert	4	4	N/A	3	1
Zhang Hongjiang (Appointed on 1 January 2019) (Note 3)	5	N/A	N/A	3	1
Poon Chung Yin Joseph (Note 4)	5	4	1	3	1
Kwok Lam Kwong Larry	5	4	1	1	1
Peng Zhiyuan (Appointed on 1 January 2019) (Note 5)	5	2	N/A	1	1
Tan Bian Ee (Retired on 24 May 2019) (Note 6)	2	N/A	1	1	1
Non-executive Director					
Wu Ingrid Chun Yuan	5	N/A	N/A	1	1

Note 1: Representatives of the independent auditor participated in the Company's interim and annual Audit and Risk Committee meetings and the AGM.

Note 2: The Nomination Committee considered and reviewed the independence of independent non-executive Directors for financial year 2018.

Note 3: Mr. Zhang was appointed as the chairman of Nomination Committee and member of Remuneration Committee with effect from 24 May 2019.

Note 4: Mr. Poon has ceased as member of Nomination Committee with effect from 24 May 2019.

Note 5: Mr. Peng was appointed as member of Nomination Committee and member of Remuneration Committee with effect from 24 May 2019.

Note 6: Mr. Tan ceased as member of Nomination Committee and member of Remuneration Committee with effect from the conclusion of the AGM held on 24 May 2019.

Directors' Time and Directorship Commitments

All independent non-Executive Directors are engaged by formal letters of appointment with a term of not more than 3 years, and they commit to the Company that they will be able to give sufficient time and attention to meeting the high expectations placed upon them.

Directors have disclosed to the Company the number and nature of their offices held in Hong Kong and overseas listed public companies or organizations and other significant commitments. As at 31 December 2019, none of our independent non-executive Directors, individually, held directorships in seven or more listed public companies (including the Company). The most directorships of listed public companies held by one independent non-executive Director is five (including the Company). One of the newly appointed independent non-executive Directors holds four directorships in listed public companies (including the Company). Our Executive Directors do not hold directorship in other listed public companies; however, they are encouraged to participate in professional, public and community organizations. 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.

The Board was satisfied that the Directors had a strong commitment to the Company and positively contributed to the Board through their participation in the Company's affairs and the Board's discussions and decisions, as reflected in their high attendance record on the Board and its Committee meetings during the year.

In respect of a Director who will stand for re-election at the 2020 AGM, his directorships and board committees membership held in listed public companies in the past three years are set out in a circular. Directors' biographies are on pages 29 to 37 of this Annual Report and on the Company's website.

Directors' Continuous Training and Development

In addition to attendance at meetings and review of papers and materials sent by the management, including regular legal and regulatory updates, all Directors recognized the importance of continuous professional development to ensure their contributions to the Board remains informed and relevant.

As part of the continuous professional development program, the Directors from time to time receive presentations from senior executives in the business on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings.

During the year ended 31 December 2019, the Company provided Directors reading materials, briefing and updates and training on business, operations, corporate governance, regulatory development and other relevant topics. All Directors had provided to the Company records of training they received during the year. 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. Set out below are the details of all directors' participation in continuous professional development during the financial year ended 31 December 2019:

Directors	Reading materials in relation to legal, regulatory & industry updates	Briefing and updates on business and operation	Training/ Seminars	Other professional developments
Independent Non-executive Directors				
Koh Boon Hwee (Chairman of the Board)	✓	✓	✓	✓
Au Siu Cheung Albert	✓	✓	✓	✓
Zhang Hongjiang (Appointed on 1 January 2019)	✓	✓	✓	✓
Poon Chung Yin Joseph	✓	✓	✓	✓
Kwok Lam Kwong Larry	✓	✓	✓	✓
Peng Zhiyuan (Appointed on 1 January 2019)	✓	✓	✓	✓
Non-executive Director				
Wu Ingrid Chun Yuan	✓	✓	✓	✓
Executive Directors				
Pan Benjamin Zhengmin (CEO)	✓	✓	✓	✓
Mok Joe Kuen Richard	✓	✓	✓	✓

Individual Board Committees

Audit and Risk Committee

Roles and Authority

The Audit and Risk Committee's responsibilities include the oversight of the integrity of the Company's financial statements and assisting the Board in the evaluation of management in the design, implementation and monitoring of the Company's risk management, compliance and internal control systems on an ongoing basis. The Company has a structured risk management and internal control systems for the management of strategic, market, operational, financial and compliance risks. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit and Risk Committee needs to oversee management while ensuring that it does not step into the management's role. The Audit and Risk 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 auditor also provides the Audit and Risk 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 and Risk Committee oversees the relationship and coordination among the Company, internal auditor and external auditor.

Quarterly Review and Connected Parties Transactions

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. That would enable our shareholders to be better informed about the performance and business progress of the Company with its quarterly reporting. The Audit and Risk Committee is involved in the review of the quarterly, half-yearly and annual results and the related announcements. It meets at least four times a year and whenever required, and meets the external auditor at least twice a year and in the absence of management at least once a year.

By its terms of reference, the Audit and Risk Committee has the power and authority delegated by the Board for reviewing any connected party transactions, continuing connected party transactions and conflicts of interest that may arise, and, the related monitoring compliance with the applicable rules and regulations. The Committee will also ensure strict adherence that Directors with a conflict of interest shall not vote on any related resolutions. The central role in determining, assessing and approving transactions with conflicts are undertaken by the Board and, if required, independent Board Committee comprising all the independent non-executive Directors shall be formed.

As such, every quarter, the Audit and Risk Committee will review and ensure the effectiveness of the internal control systems related to connected parties transactions. The identification and monitoring the connected parties are proactively managed by senior management of the supporting services, procurement and finance departments. The working and updatedness of this system are vouched by internal audit and external auditor. Major terms of the transactions with connected parties are contracted on a formal basis. The commercial beneficial reasons and the arm's length pricings are ascertained by internal audit and subsequently reviewed by the external auditor. The integrity of the existing accounting system will ensure the accounting accuracy and completeness of such transactions. Due to the expiry of the 2017 Lease Agreements, 2017 Purchase Agreements and Supplemental 2017 HGCJ Master Purchase Agreement, the Audit and Risk Committee reviewed the submission by the management in relation to the renewal of the annual cap of each of the 2020 Lease Agreements and 2020 Purchase Agreements connected transactions and continuing connected transactions with related parties for the years 2020 to 2022 with a recommendation to the Board for approval. Relevant announcements on renewal of the connected transactions and continuing connected transactions were published to the websites of the Stock Exchange and the Company on 20 December 2019 and 8 January 2020.

Audit and Risk Committee Activities

January - March 2019

- annual results and report for the year 2018
- basis of final dividend for the year 2018
- evaluation of Audit and Risk Committee performance for the year 2018
- audit review matters from Auditor
- re-appointment of Auditors for the year 2019
- connected transactions/continuing connected transactions
- internal audit function
- risk management & internal controls
- corporate governance compliance
- sustainability report for the year 2018
- accounting policy and practices as well as any account estimation
- Committee's terms of reference and the Company's policies

April - June 2019

- quarterly results
- connected transactions/continuing connected transactions
- internal audit function
- risk management & internal controls

July - September 2019

- 2019 interim results and report
- audit review matters from Auditor
- connected transactions/continuing connected transactions
- internal audit function
- risk management & internal controls
- accounting policy and practices as well as any account estimation

October - December 2019

- quarterly results
- connected transactions/continuing connected transactions and the renewal of annual cap for the years 2020-2022
- internal audit function
- risk management & internal controls

January - March 2020

- annual results and report for the year 2019
- evaluation of Audit and Risk Committee performance for the year 2019
- audit review matters from Auditor
- re-appointment of Auditors for the year 2020
- connected transactions/continuing connected transactions
- internal audit function
- risk management & internal controls
- corporate governance compliance
- sustainability report for the year 2019
- accounting policy and practices as well as any account estimation
- Committee's terms of reference and the Company's policies

During the financial year ended 31 December 2019, the Audit and Risk Committee held 4 meetings. 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.

Review of Financial Results

On 18 March 2020, the Audit and Risk Committee reviewed this annual report, including the Corporate Governance Report, the Director's Report and the Group's financial statements for the year ended 31 December 2019 and the annual results announcement with a recommendation to the Board for approval. The Audit and Risk Committee reviewed changes in accounting policies arising from revised financial reporting standards, the internal audit review for 2019 and internal audit plan for 2020.

Work done by the Audit and Risk Committee in 2019 and to date

During the year 2019 and up to the date of this annual report, the Audit and Risk Committee, performed, considered and/or resolved the following matters:

Financial information

- the 2018 and 2019 annual reports including the Corporate Governance Reports, the Directors' Reports and the Group's financial statements for the years ended 31 December 2018 and 2019 and the annual results announcements, with recommendations to the Board for approval
- the 2019 first quarterly results including the Group's first quarterly financial statements for the three months ended 31 March 2019 and the relevant results announcement, with a recommendation to the Board for approval
- the 2019 interim report including the Group's interim financial statements for the six months ended 30 June 2019 and the interim results announcement, with a recommendation to the Board for approval
- the 2019 third quarterly results including the Group's third quarterly financial statements for the nine months ended 30 September 2019 and the relevant results announcement, with a recommendation to the Board for approval
- the Group's tax review report carried out by an independent professional firm for the year 2018
- reports on new investments of the Group
- compliance by the Company with the Code Provisions throughout the year ended 31 December 2018 and throughout the six months ended 30 June 2019
- the Company's compliance with the Listing Rules, Companies Law of the Cayman Islands, CO and SFO
- overall compliance with Recommended Best Practices of the CG Code and other legal and regulatory compliance matters

External Auditor

- the reports and management letters submitted by external auditor, which summarized matters arising from the audit on the Group for the years ended 31 December 2018 and 2019, including auditing, accounting and tax matters, and internal controls, together with management's progress in addressing matters raised, and the confirmation from external auditor that there were no high-risk matters identified which were not satisfactorily resolved or being addressed
- the audit fees payable to external auditor for the year ended 31 December 2018 and external auditor's scope, plan and fees for the year ended 31 December 2019 with a recommendation for approval by the Board
- the effectiveness of the external auditor giving due consideration to the quality and contents of their reports to the Audit and Risk Committee, feedback from management and compliance with relevant regulatory, professional requirements and their independence, with a recommendation for their re-appointment for the financial year 2019, subject to final approval by Shareholders (given on 24 May 2019)
- the safeguard of external auditor objectivity and independence in proposed engagement in respect of audit-related and permissible non-audit services; met with the external auditor and discussed the audit report to management
- recommendation of re-appointment of external auditor for Shareholders' approval in 2019 and 2020 AGM

Risk Management and Internal Controls

- the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function, and that of the Group's Internal Audit
- the quarterly reports from Internal Audit and alignment with ERM
- the IT and cyber risks referencing CoBit (Control Objectives for Information and related Technology) and CSC (Critical Security Control) frameworks specially
- the effectiveness of the independent professional firm's internal control assessment and its co-sourcing arrangement with the Group's Internal Audit
- the risk management system including the established ERM framework
- the internal controls reviewed by Internal Audit with regard to Connected Transactions and Continuing Connected Transactions
- the whistleblowing reports and the related follow-up process to ensure all matters of concerns were addressed
- the Committee's updated terms of reference and the Company's policies, including Corporate Disclosure Policy and Shareholders Communication Policy

Nomination Committee

Board Diversity

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 which is available on the Company's website. A truly diverse Board will include and make good use of differences in the knowledge, skills, business perspectives, geographic and industry experience, culture, background, ethnicity, independence, 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 limited to gender, age, cultural and educational background, ethnicity, professional experience, business perspectives, 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 believes that the long tenure of some of the INEDs does not compromise their independence but instead brings significant positive qualities as referred above. The Board, however, recognizes the importance of succession to balance the mix of deep understanding of the Group's business with fresh ideas and perspectives.

With the appointments of two new INEDs in 2018 and another two new INEDs in 2019, the age distribution has been broadened and percentage of Directors having served on the Board for over 10 years has been reduced. The independence of Directors maintained at a strong level of 66.67%.

Our Directors are from diverse and complementary backgrounds. Their valuable experience and expertise are critical for the long-term growth of the Company. The current Board's composition under diversified perspectives is summarized as follows:

Name	Pan Benjamin Zhengmin	Mok Joe Kuen Richard	Koh Boon Hwee	Au Siu Cheung Albert	Zhang Hongjiang	Poon Chung Yin Joseph	Kwok Lam Kwong Larry	Peng Zhiyuan	Wu Ingrid Chun Yuan
Gender	Male	Male	Male	Male	Male	Male	Male	Male	Female
Age	51	56	69	68	59	65	64	47	49
Academic Background	Graduated from the Jiangsu Province Wujin Teacher School	Bachelor of Economics	Master of Business Administration Bachelor in Mechanical Engineering	Bachelor of Commerce	Ph.D in Electrical Engineering Bachelor of Science	Bachelor of Commerce	Master of Laws Bachelor of Economics/ Accounting	Master of Business and Administration Bachelor of Engineering and Finance	Graduated from Changzhou School of Public Health
Length of service	14 years	14 years	14 years	2 years	1 year	10 years	2 years	1 year	14 years
Skills, knowledge & professional experience									
(a) Accounting & Finance		✓		✓		✓	✓	✓	✓
(b) Corporate Responsibility/ Sustainability		✓	✓			✓	✓	✓	
(c) Executive management and leadership skills	✓	✓	✓	✓	✓	✓	✓	✓	✓
(d) Financial Service		✓	✓	✓		✓	✓	✓	
(e) Human Resources		✓	✓			✓			
(f) Information Technology & Security			✓		✓				
(g) Investment Banking	✓		✓				✓	✓	✓
(h) Investor Relations	✓	✓	✓			✓			
(i) Legal		✓					✓		
(j) Other listed Board Experience/Role			✓	✓	✓	✓	✓		✓
(k) Risk Management		✓		✓		✓	✓	✓	
(l) Strategic Planning	✓		✓	✓	✓	✓	✓		
(m) Technologies & Manufacturing	✓	✓	✓		✓				

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

Roles and Authority

The Nomination Committee is responsible for reviewing, advising and making recommendations to the Board on matters in relation to the composition, structure, size and diversity of the Board, the appointment and re-appointment of Directors and the assessment on independence of INEDs and ensuring the proper and transparent procedures for the appointment and re-appointment of Directors, succession planning for Chairman and CEO. The Committee is also consulted upon the hiring, promotion and appointment of senior management.

Nomination Policy & Practice

The Company has adopted a nomination policy for setting up a formal, considered and transparent procedure to help identifying and nomination of candidates for Directors. 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.

Process for appointing a Director

Shareholders
- Approve the election or re-election of Directors at the Company's general meeting.

Proposed Director
- Appointment is considered as an individual resolution at the general meeting.

↑

Board
- Makes the appointment.
- Appointment made through a formal letter.
- On a term of not more than three years.

Newly appointed Directors:
- Subject to election by Shareholders at the first general meeting following the appointment.

Existing Directors:
- One-third of existing Directors are subject to retirement by rotation every year, and the retiring Directors are eligible for re-election.

↑

Nomination Committee
- Considers the candidates based on merit having regard to the experience, skills and expertise as well as the overall board diversity.
- Makes recommendations to the Board as appropriate.

↑

Interviews with candidates

↑

Identification of candidates

↑

Evaluation of the Board composition and establishment of desired criteria for prospective directors

Nomination Committee Activities

January - March 2019

- review of the structure, size and composition of the Board and Board Diversity Policy
- evaluation of Nomination Committee performance for the year 2018
- assessment of the INEDs
- retirement of INEDs
- recommendation to the Board on re-election of retiring Directors

January - March 2020

- review of the structure, size and composition of the Board and Board Diversity Policy
- evaluation of Nomination Committee performance for the year 2019
- assessment of the independence of INEDs
- retirement of INEDs
- recommendation to the Board on re-election of retiring Directors, change of chairman of the Board, Company Secretary and agent for the service of process in Hong Kong

Work done by the Nomination Committee in 2019 and to date

During the year 2019 and up to the date of this annual report, the Nomination Committee convened two meetings to perform, consider and/or resolve the following matters:

Directors' Independency

- reviewed and assessed the regular updates submitted by the Directors on their commitments to other listed and/or public companies or organizations, their personal and any other business interests, and, any circumstances that may affect independence status of the INEDs

Board Composition

- reviewed the Board composition to ensure that the Company meets the Board Diversity Policy and requirements under the Listing Rules
- reviewed its terms of reference 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

Appointment, retirement and re-election of Directors

- reviewed and recommended to the Board the terms of appointment of the non-executive Directors (including INEDs), which are set out in the "Directors and service contracts" section of the "Directors' Report" on pages 41 to 42 of this annual report
- reviewed and agreed the annual list of retiring Directors in relation to the requirement set out in the Articles and in compliance with the Code Provision A.4.2, which all Directors (including executive Directors, non-executive Director and INEDs) are subject to retirement by rotation at least once every three years
- nominated change of chairman of the Board, Company Secretary and agent for the service of process in Hong Kong
- reviewed change on composition of the Board committees after conclusion of AGM held on 24 May 2019. The Nomination Committee is of the view that the balance of the new structure, size, composition and diversity of the current Board is adequate to its effective performance

Directors' Biographical Information

The Directors' biographical information is set out in the section headed "Biographies of Directors and Senior Management" on pages 29 to 39 of this annual report. Except for the family relationship between Mr. Pan and Ms. Wu, as disclosed in Directors' biographical information on pages 29, 37 and 39 of this annual report respectively, 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.

Remuneration Committee

Roles and Authority

The principal responsibilities of the Remuneration Committee are to advise the Board in relation to the overall 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 AGM. 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.

Remuneration Committee Activities

January - March 2019

- review of the policy for the remuneration package of executive Directors, assessing performance of executive Directors, and making recommendation to the Board
- evaluation of Remuneration Committee performance for the year 2018
- review of the existing non-executive Directors' remuneration
- review of the Group performance for 2018 and 2019 and Group targets for 2019
- review of senior executive remuneration, including annual incentive payments for 2018 and 2019 and annual pay review for 2019
- recommendation of the above to the Board for approval

July – September 2019

- review of methodology to be used in performance evaluation

October - December 2019

- newly adoption of a quantifiable bonus framework incorporating a matrix performance evaluation with reference to the Company's corporate goals and objectives
- review of remuneration packages of the senior management
- recommendation of the above to the Board for approval

January - March 2020

- review of the policy for the remuneration package of executive Directors, assessing performance of executive Directors, and making recommendation to the Board
- evaluation of Remuneration Committee performance for the year 2019
- review of the existing non-executive Directors' remuneration
- review of the Group performance for 2019 and 2020 and Group targets for 2020
- review of senior executive remuneration, including annual incentive payments for 2019 and 2020 and annual pay review for 2020
- recommendation of the above to the Board for approval

Work done by the Remuneration Committee in 2019 and to date

During the year 2019 and up to the date of this annual report, the Remuneration Committee convened four meetings to perform, consider and/or resolve the following matters:

Terms of Reference

- reviewed its terms of reference

Remuneration and Performance

- reviewed the remuneration package of executive Directors, non-executive Directors and senior executives and their incentive payments and assessed their performance for the years of 2018 and 2019
- reviewed the Group performance for 2018 and 2019 and Group targets for 2019 and 2020

Directors & Senior Management' Remuneration

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

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 8 to the financial statements.

Director Compensation Arrangements

Non-employee Directors receive only cash compensation. Directors who are employed by the Company do not receive any additional compensation for their Board service. INEDs may not receive consulting, advisory, or other compensatory fees from the Company in addition to their Board compensation.

The compensation amounts of the Directors are reviewed on an annual basis and recommended by the Remuneration Committee and approved by the Board, having regard to the individuals' qualifications, experience, responsibilities and comparable market benchmarks. No Director takes part in any discussion on his/her own remuneration.

The current non-employee Directors' remuneration was increased on 1 January 2018 and the following table sets forth, by responsibilities for their Board service, the annual Directors' fees paid in cash to non-employee Directors during the fiscal year ended 31 December 2019:

Director Compensation Retainers	
Annual Director Retainer	US$60,000
Chairman of the Board Annual Retainer	US$85,000
Audit and Risk Committee Chairman Annual Retainer	US$50,000
Audit and Risk Committee Member Annual Retainer	US$25,000
Nomination Committee Chairman Annual Retainer	US$9,000
Nomination Committee Member Annual Retainer	US$4,500
Remuneration Committee Chairman Annual Retainer	US$9,000
Remuneration Committee Member Annual Retainer	US$4,500

The Company reimburses non-employee Directors for all reasonable out-of-pocket expenses incurred for attending Board and Committees meetings.

Group Emoluments Arrangement

The emoluments of the Group including senior management team are considered having regard to their qualifications, experience, responsibilities, comparable market benchmarks, the Company's operating results and individual performance. In particular, the emoluments of the senior management team are reviewed and recommended by the Remuneration Committee and approved by the Board.

The remuneration of members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of individuals
HK$2,000,001-HK$2,500,000	1
HK$2,500,001-HK$3,000,000	2
HK$3,500,001-HK$4,000,000	1
HK$6,500,001-HK$7,000,000	1

Directors' and Officers' Insurance

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding offices as the Directors and officers of the Group. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Share Award Scheme

The Company on 23 March 2016 adopted the AAC Share Award Scheme (the "Scheme") constituted by a Trust Deed between the Company and Bank of Communications Trustee Limited (the "Trustee") as trustee, in which employees, including Directors, may be selected by the Board to participate. Pursuant to the Scheme, shares of the Company will be subscribed for at a subscription price as determined by the Board, or purchased on the Stock Exchange, by the Trustee.

On the grant of the share awards, the relevant number of shares is legally issued or transferred to the Trustee who holds the shares for the benefit of the selected employees. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

The expenses in relation to the share awards are charged to profit or loss over the relevant vesting periods with a corresponding increase in share award reserve.

During the year, no new shares have been issued to the Trustee and no shares of the Company had been purchased by the Trustee nor any share awards had been granted to any employees.

CORPORATE GOVERNANCE CODE

The Company has continued to fully comply with requirements of the Code Provisions for the financial year ended 31 December 2019. The Board has ensured that all Board Committees were represented through the Directors in attendance at the AGM to answer questions that might be raised. To ensure a balanced understanding of the views of Shareholders is maintained by all INEDs, the Company provides regular Shareholders' feedback from the Company's investor relations reports.

The Company has always aimed to go beyond compliance with the Code Provisions by adopting the Recommended Best Practices of the CG Code. The table below illustrates how and in what way the Company has already adopted these items:

Recommended Best Practices	Adopted by the Company
Quarterly financial results announcement	Since listing, the Company has adopted quarterly reporting of financial results. p. 66 has more details.
A significant proportion of the executive Directors' remuneration should link rewards to corporate and individual performance	A significant proportion of an executive Director remuneration has been linked to corporate and individual performance since his appointment. p. 56, 76 and 133 have more details.
Whistleblowing Policy for employees and other stakeholders (e.g. customers and suppliers)	A whistleblowing policy and an established process have been in place since 2012 to ensure all matters of concerns are addressed. p. 82 - 83 have more details.
Regular Board Evaluation	The Board conducts an annual evaluation of its and the committees' performance. p. 59 has more details.
Management's confirmation on the effectiveness of risk management and internal control systems	The Board has received confirmation from management on a semi-annual basis. p. 79 has more details.

LEGAL AND REGULATORY COMPLIANCE

Compliance

During the year, the Board continued to review the Company's legal framework on implementing policies and practices to ensure the operations of the Company are in compliance with existing or any new legal and regulatory requirements of all applicable jurisdictions, including updates of the Listing Rules and disclosure requirements under the Hong Kong Securities and Futures Ordinance, companies law of the Cayman Islands as well as Hong Kong Companies Ordinance.

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

Dividend Policy

In deciding whether to declare a dividend and in determining the amount and form of dividend, the Board shall take into account the following factors:

- Financial performances;
- Working capital;
- Capital expenditure;
- Future investment; and
- Any other factors the Board may deem relevant.

The Company considers sustainable returns to its Shareholders to be its goal, and, endeavors to declare dividends twice in each financial year, i.e. as interim dividend and final dividend. In addition to the aforesaid factors, the Board shall take into account the Company's prospects, historical dividend amounts and dividend yields. Nevertheless, there is no assurance that dividends will be paid in any particular amount for any given period.

Declaration and payment of dividends are subject to compliance with applicable laws and regulations including the law of Cayman Islands and the Company's Articles and, dividends received from its subsidiaries.

The Board will continually review this policy for the long-term interests of the Shareholders from time to time.

Model Code For Securities Transactions by Directors

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 31 December 2019. 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.

Securities Dealing Restriction to Management and Staff

Our Management and staff are subject to the Company's securities dealing restrictions for those who have access to potential inside information.

COMPANY SECRETARY

All Directors have access to the advice and the professional services of the Company Secretary. Mr. Lo Tai On ("Mr. Lo"), from our external secretarial services provider, had been appointed as the Company Secretary since August 2010. The legal director of the Group, Mr. Ho Siu Tak Jonathan, replaced Mr. Lo and has been appointed as Company Secretary with effective from 25 March 2020. 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 Company Secretaries of the Company have duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules. The Board would like to express appreciation of Mr. Lo's professional contributions for the last 10 years.

INTERNAL AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Effective risk management and internal control systems are fundamental to the achievement of our strategic objectives. The Company has in place an ERM framework to effectively identify, assess, mitigate and monitor key strategy, market, financial, operational and compliance risks. The framework enables us to adopt a proactive and structured approach to identifying and managing risks across the organization with on-going monitoring and review. Our Board, acting through the Audit and Risk Committee in the first instance, is responsible for overseeing and evaluating management in the design, implementation and maintaining a sound and effective risk management and internal control systems. The governance framework is illustrated as follows:

Governance Framework — Internal Control & Risk Management Process

Role	Accountability/ In Charge	Responsibilities
"Top-down" Identification & management of strategic and business risks at corporate level	**Board**	**Risk Management Oversight** • Oversees the Company's risk management policies and process. • Determines the nature and extent of the outstanding and newly emerging risks. • Reviews that the Group has maintained effective and adequate risk management and internal control systems and ensures that all processes are properly carried out.
	Audit and Risk Committee assisted by Internal Audit	**Regular Risk Review, Communication & Confirmation to the Board** • Conducts quarterly reviews with management the Company's major financial and regulatory risk exposures and the steps management has taken to monitor and control such exposures. • Evaluates the management's effectiveness in the design, implementation and monitoring of the internal controls and ERM. • Reviews the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions and ensure these functions were maintained properly. • Oversees the Company's risk profile and assesses if key risks are appropriately mitigated. • Ensures that an ongoing review of the effectiveness of the risk management and internal control systems has been conducted and provides such confirmation to the Board.
"Bottom-up" Risk assessment, monitoring and effective communication through operation units / departments	**Heads of departments along with verification by Internal Audit**	**Risk & Control Monitoring** • Identifies, assesses and manages the significant operating risks facing the Company. • Monitors the risk management and internal control systems and implementing new controls.
Identification, management & report of risks at operation level	**Business / Operation Units**	**Operation Risks & Internal Controls Ownership** • Risk identification, assessment and mitigation performed across organization's various departments. • Risk management process and internal controls practised across organization's business operations and functional areas.
Independent party	**External professional firm**	• Reports and discusses with the Audit and Risk Committee any weaknesses in the internal controls of the accounting and, operating systems revealed by the specified scope of their work.

Risk Governance & Oversight

The Company has always valued the importance of the internal control systems, and has been referencing certain critical aspects of organizational governance, business ethics, fraud and financial reporting established by COSO (the Committee of Sponsoring Organizations of the Treadway Commission). Internal Audit has incorporated these critical aspects in its audit planning and objectives when assessing the effectiveness of internal controls. Also, Internal Audit has already included in its work scope to cover financial reporting objectives and has increased focus on operations and compliance aspects. IT audit focuses on IT and information security risks in respect of strategy, operations, compliance, reputation and infrastructure. Report of the evaluation and implementation of such information security plans, policies and processes are discussed quarterly, and modified as appropriate, by the Audit and Risk Committee. With reference to CoBit and Critical Security Controls framework, the Company continued to enhance its cyber risk vulnerability controls management through various policies updates and employees training and again received the certification of ISO27001. 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 31 December 2019, the Company's internal controls over the Company's financial and non-financial reportings were effective.

It is recognized that the assessment of the internal control systems 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, financial and non-financial reportings. 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 expenditure are set clearly. They include division of operations and financial personnel to be responsible for the different approval processes. An internal system has been implemented to enhance the controls and effectiveness embedded in the approval process. A separate finance team is designated to ensure maintenance of proper and complete accounting records by all the Group companies for producing reliable financial information for internal management use. Regular review of the financial information involving senior management and the Board is carried out for verification and monitoring purposes.

The internal audit team also provides independent assurance that the internal control systems is effective and efficient. In order to carry out its function, the internal audit team is given unrestricted access to all the personnel, business files and accounting records. The head of the team reports directly and regularly to the Audit and Risk Committee on all the significant audit matters. Adverse implications from such findings on the accuracy and completeness of the financial report and the effectiveness of the internal control systems are discussed in details by the Audit and Risk Committee and rectified within a reasonable timeframe.

Key risk factors are set out on pages 25 to 28 of this annual report. The procedures and internal controls for the handling and dissemination of inside information are set out under the below section headed "Corporate Disclosure" of this annual report.

Enterprise Risk Management

Since 2012 the Company has embarked on the journey of building an ERM system with a view to enhancing the risk management and corporate governance practice and improving the effectiveness and efficiency of internal control systems across the whole Company. In 2019, the Company has procured and allocated more resources, including external professional resources, to continue to refine ERM and the risk-driven approach for its internal audit plan. Relevant departments, assisted by the additional resources, conducted reviews and updates on risk assessment and internal controls by key management processes. The Board believes that a heightened focus on risk and compliance is beneficial for the ongoing development and growth of the Company as well as its staff. In establishing the ERM system, all key functions of the Company undertake the following exercises:

1. Enterprise risk assessment ("ERA") — to identify and prioritize the Company's key business risks; and

2. Process level control assessment — to assess the related internal control matters and risk mitigating measures.

The ERA is designed to be an efficient and comprehensive process which assists management in accomplishing the following ERA objectives:

- Allows management to identify and prioritize the key risks affecting the achievement of the Company's business objectives;
- Assesses how those key risks are currently being managed and identifies areas where potential gaps and inefficiencies may exist;
- Identifies opportunities for improvement; and
- Allows management to develop a coordinated and systematic approach to embed risk management activities into the daily operations, including planning, investment and strategic decisions, so as to better balance risk and enterprise reward.

Effectiveness Review of Risk Management and Internal Control Systems

The review of the effectiveness of the Company's risk management and internal control systems has been discussed on pages 78 to 81.

EXTERNAL 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 31 December 2019, 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 pages 93 to 94 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 31 December 2019 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. 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.

Auditor's Remuneration

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

On completion of their annual audit, Deloitte will review its audit work process and plan for the next year's audit. A proposed audit fee and work plan, incorporating expansion plans, new business operations and organization changes of the Company, will be submitted to the Audit and Risk Committee. Their proposal will also be reviewed along with internal management feedback on Deloitte's audit work and the appointment of auditor will be discussed and recommendation made to the Board.

During the year ended 31 December 2019, the services provided to the Company by Deloitte, and the respective fees paid are set out below:

Types of service	2019 HK$'000
Audit services (including continuing connected transactions limited assurance)	3,701.5
Non-audit	
(i) Interim Financial Information review	938.1
(ii) Taxation compliance	46.7
(iii) Notes offering	421.0
Total	5,107.3

The representative of Deloitte has attended the AGMs, and as usual in 2019, 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 with since the auditor's appointment.

CODE OF CONDUCT AND WHISTLEBLOWING POLICY

The Company recognizes that employees form an integral part of the risk management and internal control systems 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.

The Company upholds ethical principles through the business ethics monitoring system led by the Ethics Committee which is chaired by the CEO. Our ethics working groups involve human resources, legal and internal audit departments, reporting and handling any cases of unethical behavior and evaluating the management system.

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 concerns to management. The Whistleblowing Policy, already approved by the Board is a key constituent of our 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, the filing of the reporting documentation and the investigation report are laid out clearly. The Audit and Risk Committee has been delegated with overall responsibility for implementation, monitoring and periodic review of the policy.

During the year, the Company received 57 reported cases. No senior management staff were involved in these cases and these cases were mainly minor one-off incidents involved with employee discipline, payment arrangement for suppliers, unreported conflicts of interests and expenditure reimbursement. Necessary follow-up actions have been implemented through relevant departments as well as carry out disciplinary actions, in order to prevent reoccurrence of similar cases.

SHAREHOLDERS ENGAGEMENT AND VALUE

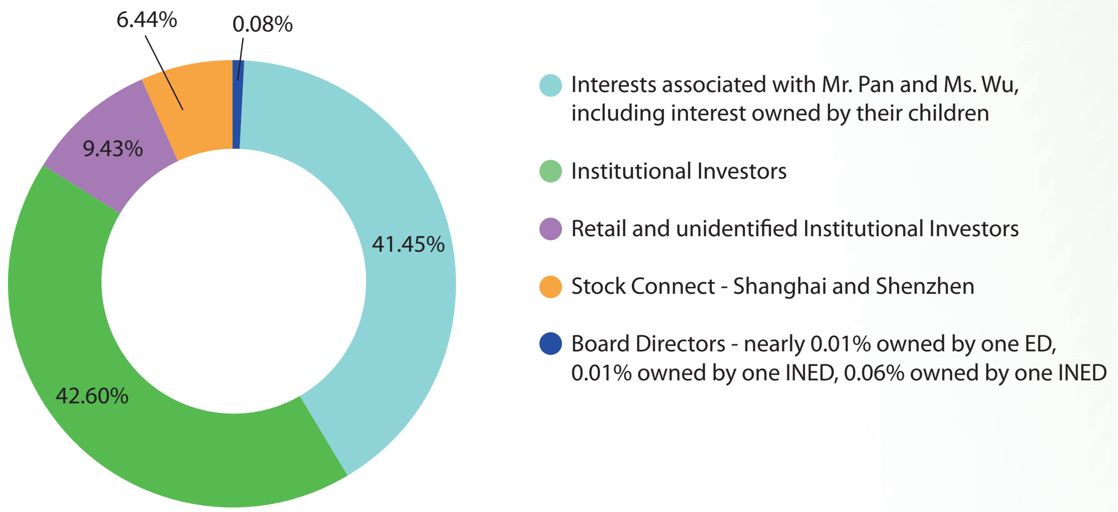
Shareholders

Almost all the Shareholders are holding the Company's shares through nominees or intermediaries such as HKSCC Nominees Limited. Hence, the register of members of the Company only had 80 direct registered Shareholders as at 31 December 2019. Separately, as the Company's shares are eligible for trading in the Shanghai/Shenzhen-Hong Kong Stock Connect, an aggregate shareholding was held through China Securities Depository and Clearing Corporation Limited as one single Shareholder, which as at 31 December 2019, amounted to 77.81 million shares, or representing 6.44% of total issued shares, of the Company.

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. A shareholding register analysis was conducted as at 31 December 2019 and revealed the shareholding structure as follows:

I) Shareholders by Category:

(per Shareholder Analysis as at 31 December 2019, rounded to nearest 0.01%)



II) Shareholders by Domicile:

	% of Total Issued Shares
Hong Kong	61.1
North America	14.6
Singapore	9.2
China	6.7
United Kingdom	3.9
Europe (ex-United Kingdom)	2.4
Rest of the World	2.1
Total	100

Notes:

1. The shareholding in Hong Kong included the interests associated with Mr. Pan, Ms. Wu and their children.

2. 99.99% of all issued shares were held through HKSCC Nominees Limited.

3. The approximate percentage of shareholding is calculated on the basis of 1,208,500,000 shares in issue as at the financial year ended 31 December 2019.

Corporate Disclosure and Inside Information

The Board recognizes 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 and Risk 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, Securities and Futures Ordinance and applicable laws and regulations of the Cayman Islands and the Hong Kong 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 activity where the shares of the Company are traded.

To facilitate the process, a Disclosure Committee has been formed and meets regularly. 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 good 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 through the Stock Exchange platforms, circulars and press releases of the Company. The Company also updates its website, www.aactechnologies.com, and IR wechat group, regularly to ensure prompt dissemination of information about its latest development.

AGM is another means to enter into a direct dialogue with Shareholders. Board members (including the Chairman), in particular, the Chairmen or members 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 submits a monthly report, as part of the monthly update, to the Board 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 updated Corporate Disclosure Policy and Shareholders Communication Policy were approved by the Board on 22 March 2019. The Corporate Disclosure Policy, Shareholders Communication Policy and "Quiet Periods" policy are all posted on the Company's website.

During 2019, 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 webcast/teleconferencing and participation in different conferences, forums and non-deal roadshows in Hong Kong and other parts of the world organized by different brokers. 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. Furthermore, there are regular sessions held with local-based securities brokers, the local and overseas press and media representatives for timely distribution of information to non-institutional investors.

At the 2019 AGM which was held on 24 May 2019, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of each of the 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, prepared to answer questions, if any, 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 on the same date. No other general meeting was held during the year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM 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 AGM, shall be called an extraordinary general meeting ("EGM"). Set out below are procedures by which Shareholders may (a) convene an EGM; (b) put forward enquiries to the Board; and (c) put forward proposals at general meetings. The procedures are subject to the Articles 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 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 investor relations team to follow up.

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 or 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 AGM as described in the Articles.

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

Constitutional Documents

During the year ended 31 December 2019, there was no change to the Company's constitutional documents.

Sustainability

Sustainable development is one of the core values of the Group. The CEO and the Board oversee execution of the Group's sustainability strategy as part of the oversight of business strategy and risk management. The Group's ESG management approach is coordinated by a suite of leaders across the Group with deep expertise in related subjects: strategic development, environmental management, health and safety, green products, quality assurance, human resources, investor relations and corporate social responsibility.

Subsequent to the financial year end, the Group has strengthened the governance structure further by establishing a Sustainability Working Group ("SWG") with clear roles and responsibilities defined. Reporting to the Board directly, the SWG is responsible for identifying key improvement areas for ESG and advising the Board on the effective management of the Group's sustainability risks. The established terms of reference of the SWG lays out its purpose, membership and responsibilities, joining the forces of relevant departments in managing sustainability topics.

In our seventh sustainability report, issued separately, we provide a clear articulation of the progress along our sustainability journey.

For ongoing improvement in transparency and data integrity, in this reporting period, we have expanded the reporting boundary to include when the new production facility is up and running, optimised the sustainability data collection management system and widened the scope of third-party verification.

STAKEHOLDER ENGAGEMENT

Our future success hinges on how we create and address values that our stakeholders need, which depends upon how relevantly we evolve in our industry. We listen to our stakeholders, and more importantly, we respond to their concerns as we believe a strong and stable relationship with key stakeholders including employees, suppliers and customers is a strategic differentiator. Regular progress updates provided to the Board also help to guide us in this process. For details of the key engagement topics and channels, please visit the stakeholder engagement section on our website.

Employees

Our talent forms the backbone of the Group. While we are facing stiff competition from other technology magnates, we hope we are able to attract and retain the best possible talent as we build an environment and cultivate a culture of engagement that support them to fulfill their potential. For our millennial workforce, the Group has continued to strengthen its communication channels to include regular seminars with senior management and internal digitised platform, ensuring their views are heard, discussed and adopted as appropriate. It is important that we are implementing the same in our worldwide operating locations recognizing the different culture in each place.

The Group's triple-channel training system facilitates drawing of clear training roadmaps for employees in management, technical and professional areas. To ensure management development, the Group continues to collaborate with Harvard Business School and China Europe International Business School where senior executives participate in programmes focused on strategic global mindsets as well as practical management skills.

During the year, there were none non-compliance with laws and regulations having negative impact on any Group's employment labour practices or occupational health and safety.

Sustainability

Customers

Our customers expect clear and relevant sustainability values, strategy and practices from the Group. This year, the Group continued to work on customer satisfaction, as a component to achieve operational excellence. The Group has paid attention to details from raw material sourcing, design, testing and quality management to maintain a superior product quality close to zero product defect rate. It is important to identify and create value in products that impress our customers to maintain the long-standing and stable relationship with our customers.

The Group has implemented a customer satisfaction management approach, a three-pronged approach for engaging with our customers. The approach comprises evaluation surveys, data tracking and customers' visits. Customer satisfaction management is collaboratively monitored and involved sales & marketing department, quality and R&D departments.

Suppliers

Engaging suppliers is pivotal in driving product quality and compliance along the supply chain. Our Supplier Code of Conduct stipulates clearly the Group's expectations of its suppliers in the context of legal compliance, labour and human rights, health and safety, and, chemical and emergency management. The Code makes references to international standards including Social Accountability 8000 International Standard. The agreed CSR commitments are suppliers' acknowledgement of obligated adherence to the Code and ethical business practices. In particular, raw material procurement contracts require suppliers to act in accordance with requirements set out in the "Responsible Business Alliance".

As expected, all suppliers are subject to due diligence, ensuring supplies do not include any conflict minerals. By adopting a risk-based supply chain assessment methodology, suppliers are assessed regularly and the management approach is evaluated on a regular basis through daily management, annual audit, comprehensive performance evaluation and risk management. Suppliers disqualified will be suspended for at least one year. At the same time, they are encouraged to submit an improvement proposal within one month for consideration to get reinstated as approved suppliers.

Managing Environmental Impact

With most of the major manufacturing bases in China and Vietnam having received certification under the ISO 14001 standard, the Group does not only fulfil the environmental compliance requirements in locations where it has operations, but also strives to go beyond the minimum requirements. Progressing along our plans to adopt an efficient energy management system, the Group has successfully attained ISO50001 in one of its major facilities. Implementation of our plans will ensure prioritisation of attention to facilities that consume a higher level of energy. The Group is determined to improve energy efficiency, for example, by building roof top solar panels to the extent possible and undertaking retrofits to capture lost energy.

In addition to committing to 5% annual reduction in carbon emissions set by the Shenzhen municipal government, we are committed to "zero waste to landfills" in some of our production facilities. It is our intention to spread this effort for waste reclassification and recycling to our office operations as well.

Regulatory Compliance

The Group strictly complies with environmental laws and regulations in all locations where it operates, covering protection and anti-pollution of environment and conservation of energy.

During the year, there were none material non-compliance of laws and regulations that have a significant impact relating to air and greenhouse gas emissions, harmful discharges into water and land, or generation of hazardous and non-hazardous waste.

Sustainability

KEY HIGHLIGHTS IN 2019

Use of renewable energy more than 14 million kWh	Number of Work-related Injury 69 - 13% yoy	Patents 4,411 + 1,192
Environmental Protection Expenditure RMB 95 million + 81% yoy	Percentage of Workers received Safety Training 100%	Number of R&D and Technicians 4,177 + 195

SUSTAINABILITY RECOGNITION

Listed on the Hang Seng Corporate Sustainability Index and Hang Seng (Mainland China and Hong Kong) Corporate Sustainability Index for 2019, the sixth consecutive year since 2014.

Received two Grand Awards in the Hong Kong ESG Reporting Awards (HERA) 2019: Best ESG Report – Large Cap and Innovative Frontrunner Award.

Received the "Best in Reporting – Certificate of Merit" accolade in the BDO ESG Awards 2019.

Recognized as "Hong Kong Outstanding Corporate Citizenship" from Hong Kong Productivity Council for the third consecutive years.

Received the "Hong Kong Sustainability Award Certificate of Excellence" from The Hong Kong Management Association.

Awarded with the "Special Mention" at HKICPA Best Corporate Governance Awards 2019.

Independent Auditor's Report

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of AAC Technologies Holding Inc. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 95 to 171, which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Inventory costing and estimated allowance of inventories	
We identified inventory costing and the estimated allowance of inventories as a key audit matter due to the fact that inventories and the related cost of goods sold are significant to the consolidated financial statements as a whole as well as the use of judgement and estimates by the management in estimating the allowance of inventories. Cost of inventories are determined on a weighted average method and management reviews the inventory costing on a regular basis to ensure accuracy. In respect of the allowance of inventories the management determines the allowance with reference to the aging analysis and the estimated net realisable value for obsolete and/or slow-moving inventory items that are no longer suitable for use in operation at the end of each reporting period (refer to notes 4 and 21 to the consolidated financial statements). As at 31 December 2019, the carrying amount of the Group's inventories was RMB3,664,056,000. During the year, the Group recognised and charged an allowance for obsolete inventories of RMB41,527,000 to the consolidated statement of profit or loss and other comprehensive income. Details of the Group's inventories are set out in note 21 to the consolidated financial statements.	Our procedures in relation to inventory costing and estimated allowance of inventories included: • Obtaining an understanding on how costing of inventories is determined and calculated and how management estimates the allowance of obsolete and slow-moving inventory items; • Understanding the key controls relating to the costing of inventories, identification of aged and obsolete inventories and preparation of aging analysis of inventories; • Reperforming the calculations of the costing of inventories on a sample basis and agreeing to source documents; • Obtaining the inventory aging analysis and agreeing its classification by age on a sample basis, to source documents; • Evaluating the reasonableness of the allowance of obsolete and/or slow-moving inventories as identified from the inventory aging analysis; and • Testing subsequent sales or usage of inventories on a sample basis.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chu, Johnny Chun Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	**17,883,757**	18,131,153
Cost of goods sold		**(12,776,765)**	(11,388,078)
Gross profit		**5,106,992**	6,743,075
Other income, gains and losses		**246,991**	236,556
Gain on final settlement of earn-out consideration	17	**–**	147,830
Fair value gain (loss) on financial assets at fair value through profit or loss	17	**19,234**	(118,881)
Distribution and selling expenses		**(275,329)**	(316,521)
Administrative expenses		**(642,803)**	(649,856)
Research and development costs		**(1,717,251)**	(1,512,160)
Exchange gain (loss)		**62,798**	(1,853)
Finance costs	6	**(248,210)**	(217,888)
Profit before taxation	7	**2,552,422**	4,310,302
Taxation	9	**(330,048)**	(514,417)
Profit for the year		**2,222,374**	3,795,885
Other comprehensive income (expense):			
Item that will not be subsequently reclassified to profit or loss:			
Fair value changes on equity instruments at fair value through other comprehensive income		**76,479**	(10,479)
Items that may be subsequently reclassified to profit or loss:			
Fair value changes on derivative financial instruments		**(24,631)**	4,449
(Gain) loss reclassified to profit or loss on hedged items		**(1,001)**	1,268
Exchange differences arising on translation of foreign operations		**(47,742)**	49,796
Total comprehensive income for the year		**2,225,479**	3,840,919
Profit (loss) for the year attributable to:			
Owners of the Company		**2,222,375**	3,795,885
Non-controlling interests		**(1)**	–
		2,222,374	3,795,885
Total comprehensive income (expense) attributable to:			
Owners of the Company		**2,225,480**	3,840,919
Non-controlling interests		**(1)**	–
		2,225,479	3,840,919
Earnings per share – Basic	11	**RMB1.84**	RMB3.11

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	12	**16,910,713**	15,440,039
Right-of-use assets	13	**1,071,912**	–
Goodwill	14	**164,350**	164,350
Prepaid lease payments	15	**–**	622,362
Deposits made for acquisition of property, plant and equipment		**454,527**	1,085,904
Investment properties	16	**13,660**	14,854
Equity instruments at fair value through other comprehensive income	17	**350,740**	178,684
Intangible assets	18	**433,884**	366,607
Derivative financial instruments	20	**–**	11,153
		19,399,786	17,883,953
Current assets			
Inventories	21	**3,664,056**	3,319,480
Trade and other receivables	22	**5,576,036**	4,474,213
Financial assets at fair value through profit or loss	17	**–**	22,426
Amounts due from related companies	23	**3,622**	4,991
Taxation recoverable		**40,718**	35,509
Pledged bank deposits	24	**11,100**	2,100
Bank and other balances and cash	24	**5,511,974**	4,126,494
		14,807,506	11,985,213
Current liabilities			
Trade and other payables	25	**5,474,116**	4,548,240
Contract liabilities	25	**10,271**	8,673
Lease liabilities	26	**96,742**	–
Amounts due to related companies	23	**75,354**	62,468
Taxation payable		**178,169**	204,880
Bank loans	27	**1,876,094**	3,492,507
		7,710,746	8,316,768
Net current assets		**7,096,760**	3,668,445
Total assets less current liabilities		**26,496,546**	21,552,398

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Bank loans	27	**3,849,605**	2,427,854
Unsecured notes	28	**2,685,475**	–
Government grants	29	**208,938**	117,779
Lease liabilities	26	**310,332**	–
Deferred tax liabilities	30	**65,392**	71,669
Derivative financial instruments	20	**15,812**	998
		7,135,554	2,618,300
Net assets		**19,360,992**	18,934,098
Capital and reserves			
Share capital	31	**98,135**	98,906
Reserves		**19,253,058**	18,835,192
Equity attributable to owners of the Company		**19,351,193**	18,934,098
Non-controlling interests		**9,799**	–
Total equity		**19,360,992**	18,934,098

The consolidated financial statements on pages 95 to 171 were approved and authorised for issue by the Board of Directors on 25 March 2020 and are signed on its behalf by:

PAN BENJAMIN ZHENGMIN
DIRECTOR

MOK JOE KUEN RICHARD
DIRECTOR

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2019

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Special reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Non-distributable reserve RMB'000	PRC statutory reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2018	99,231	234,771	–	1,135	23,391	(30,841)	436,545	87,245	468,892	4,438	16,226,133	17,550,940	–	17,550,940
Effect of adoption of new standard of IFRS 9	–	–	–	–	–	–	(407,428)	–	–	–	407,428	–	–	–
	99,231	234,771	–	1,135	23,391	(30,841)	29,117	87,245	468,892	4,438	16,633,561	17,550,940	–	17,550,940
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	49,796	–	–	–	–	–	49,796	–	49,796
Fair value changes on equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	(10,479)	–	–	–	–	(10,479)	–	(10,479)
Fair value changes on derivative financial instruments	–	–	–	–	–	–	–	–	–	4,449	–	4,449	–	4,449
Loss reclassified to profit or loss on hedged item	–	–	–	–	–	–	–	–	–	1,268	–	1,268	–	1,268
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,795,885	3,795,885	–	3,795,885
Total comprehensive income (expense) for the year	–	–	–	–	–	49,796	(10,479)	–	–	5,717	3,795,885	3,840,919	–	3,840,919
Dividend declared	–	–	–	–	–	–	–	–	–	–	(2,179,901)	(2,179,901)	–	(2,179,901)
Shares repurchased	–	–	(277,860)	–	–	–	–	–	–	–	–	(277,860)	–	(277,860)
Shares cancelled	(325)	(198,333)	198,658	–	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	–	244,996	–	(244,996)	–	–	–
At 31 December 2018	98,906	36,438	(79,202)	1,135	23,391	18,955	18,638	87,245	713,888	10,155	18,004,549	18,934,098	–	18,934,098
Effects on adoption of new standard (note 2)	–	–	–	–	–	–	–	–	–	–	(10)	(10)	–	(10)
At 1 January 2019 (restated)	98,906	36,438	(79,202)	1,135	23,391	18,955	18,638	87,245	713,888	10,155	18,004,539	18,934,088	–	18,934,088
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	(47,742)	–	–	–	–	–	(47,742)	–	(47,742)
Fair value changes on equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	76,479	–	–	–	–	76,479	–	76,479
Fair value changes on derivative financial instruments	–	–	–	–	–	–	–	–	–	(24,631)	–	(24,631)	–	(24,631)
Gain reclassified to profit or loss on hedged item	–	–	–	–	–	–	–	–	–	(1,001)	–	(1,001)	–	(1,001)
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,222,375	2,222,375	(1)	2,222,374
Total comprehensive (expense) income for the year	–	–	–	–	–	(47,742)	76,479	–	–	(25,632)	2,222,375	2,225,480	(1)	2,225,479
Dividend declared	–	–	–	–	–	–	–	–	–	–	(1,530,919)	(1,530,919)	–	(1,530,919)
Shares repurchased	–	–	(277,456)	–	–	–	–	–	–	–	–	(277,456)	–	(277,456)
Shares cancelled	(771)	(36,438)	356,658	–	–	–	–	–	–	–	(319,449)	–	–	–
Capital contribution from non-controlling shareholder of subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	9,800	9,800
Disposal of equity instrument at fair value through other comprehensive income	–	–	–	–	–	–	5,637	–	–	–	(5,637)	–	–	–
Transfers	–	–	–	–	–	–	–	–	174,992	–	(174,992)	–	–	–
At 31 December 2019	98,135	–	–	1,135	23,391	(28,787)	100,754	87,245	888,880	(15,477)	18,195,917	19,351,193	9,799	19,360,992

The People's Republic of China (the "PRC") statutory reserve comprises 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 31 December 2019

	2019 RMB'000	2018 RMB'000
Operating activities		
Profit before taxation	**2,552,422**	4,310,302
Adjustments for:		
Interest income	**(50,273)**	(36,840)
Finance costs	**248,210**	217,888
Depreciation of property, plant and equipment	**2,018,539**	1,713,557
Depreciation of right-of-use assets	**112,735**	–
Amortisation of intangible assets	**43,838**	36,236
Release of prepaid lease payments	**–**	12,639
Depreciation of investment property	**1,194**	1,195
Loss on disposal of property, plant and equipment	**2,149**	773
(Gain) loss on disposal of prepaid lease payments	**(65)**	5,530
Amortisation of upfront fee for bank loans	**6,492**	6,306
Amortisation of government grants	**(51,019)**	(15,627)
Gain on final settlement of earn-out consideration	**–**	(147,830)
Fair value (gain) loss on financial assets at fair value through profit or loss	**(19,234)**	118,881
(Reversal) allowance for impairment loss on trade receivables	**(110)**	16,785
Net allowance for obsolete inventories	**41,527**	60,566
Impairment losses recognised in respect of property, plant and equipment	**35,096**	9
Impairment losses recognised in respect of goodwill	**–**	3,098
Written off of a loan receivable	**–**	12,931
Operating cash flows before movements in working capital	**4,941,501**	6,316,399
(Increase) decrease in inventories	**(378,972)**	57,399
(Increase) decrease in trade and other receivables	**(1,075,537)**	2,828,777
Decrease (increase) in amounts due from related companies	**1,369**	(3,215)
Increase (decrease) in trade and other payables	**715,194**	(1,748,715)
Increase in amounts due to related companies	**8,407**	15,451
Increase (decrease) in contract liabilities	**1,598**	(510)
Cash generated from operations	**4,213,560**	7,465,586
Taxation paid	**(370,068)**	(676,286)
Net cash from operating activities	**3,843,492**	6,789,300

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Investing activities			
Government grants received relating to acquisitions of property, plant and equipment		**142,178**	46,244
Withdrawal of time deposits with original maturity over three months		**67,545**	–
Interest received		**48,135**	38,495
Proceeds from disposal of financial assets at fair value through profit or loss	17	**41,804**	737,374
Proceeds from disposal of property, plant and equipment		**30,761**	13,365
Withdrawal of pledged bank deposits		**2,100**	12,430
Proceeds from disposal of prepaid lease land		**561**	4,839
Acquisition of property, plant and equipment		**(1,544,236)**	(2,940,805)
Deposits paid for acquisition of property, plant and equipment		**(1,268,284)**	(1,085,904)
Placement of time deposits with original maturity over three months		**(697,620)**	(67,545)
Acquisition of equity instruments at fair value through other comprehensive income		**(92,696)**	(100,000)
Additions to intangible assets		**(88,749)**	(1,406)
Payments for right-of-use assets		**(20,352)**	–
Placement of pledged bank deposits		**(11,100)**	(5,502)
Settlement of consideration payable for acquisition of a business		**(4,083)**	–
Payments for rental deposits		**(549)**	–
Acquisition of a business	33	**–**	(155,079)
Prepaid rentals on prepaid lease payments		**–**	(106,289)
Settlement received on earn-out consideration		**–**	5,568
Proceeds from disposal of an available-for-sale investment in prior year		**–**	5,129
Net cash used in investing activities		**(3,394,585)**	(3,599,086)
Financing activities			
Bank loans raised		**3,234,355**	5,071,907
Proceed from issuance of unsecured notes		**2,706,185**	–
Receipt from derivative financial instruments		**50,218**	–
Capital contribution from a non-controlling shareholder of a subsidiary		**9,800**	–
Repayments of bank loans		**(3,497,570)**	(5,627,102)
Dividend paid		**(1,530,919)**	(2,181,600)
Repurchase of shares	31	**(277,456)**	(277,860)
Interest paid		**(232,880)**	(215,695)
Repayment of lease liabilities		**(145,645)**	–
Payment to derivative financial instruments		**(49,217)**	–
Acquisition of additional interests in subsidiaries		**(11,868)**	(16,488)
Net cash generated from (used in) financing activities		**255,003**	(3,246,838)

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Net increase (decrease) in cash and cash equivalents	**703,910**	(56,624)
Cash and cash equivalents at 1 January	**4,058,949**	4,034,082
Effect of foreign exchange rate changes	**51,495**	81,491
	4,814,354	4,058,949
Represented by:		
Bank balances and cash	**5,511,974**	4,126,494
Less: Time deposits with original maturity over three months	**(697,620)**	(67,545)
Cash and cash equivalents at 31 December	**4,814,354**	4,058,949

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 of Hong Kong Limited (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 41.

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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and amendments to IFRSs for the first time in the current year:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle

Except as described below, the application of the amendments to 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.

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations. The Group applied IFRS 16 in accordance with the transition provisions of IFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 Leases (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition.

Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties and land leases in the Mainland China was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease terms for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.07%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	95,080
Less: Recognition exemption – short-term lease and low value assets leases	(17,215)
	77,865
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	75,291
Analysed as	
Current	50,593
Non-current	24,698
	75,291

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		75,291
Reclassified from prepaid lease payments	(a)	622,362
Adjustments on rental deposits at 1 January 2019	(b)	430
		698,083
By class:		
Land		622,362
Buildings		75,721
		698,083

Notes:

(a) Upfront payments for leasehold land in People's Republic of China ("PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB622,362,000 were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB430,000, RMB440,000 and RMB10,000 were adjusted to right-of-use assets, refundable rental deposits paid and retained profits respectively.

The following table summarises the impact of transition to IFRS 16 on retained profits at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 RMB'000
Retained profits	
Adjustments on rental deposit paid and impact at 1 January 2019	(10)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 IFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current Assets			
Prepaid lease payments	622,362	(622,362)	–
Right-of-use assets	–	698,083	698,083
Current Assets			
Trade and other receivables	4,474,213	(440)	4,473,773
Current Liabilities			
Lease liabilities	–	50,593	50,593
Non-current Liabilities			
Lease liabilities	–	24,698	24,698
Capital and Reserves			
Reserves	18,835,192	(10)	18,835,182

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Except as described above, the management anticipates that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

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

Goodwill

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

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

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU (or group of CGUs) 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 on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group 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.

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

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

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The revenue of the Group arising from sales of dynamic components, electromagnetic drives and precision mechanics, MEMS components and other products is recognised at a point in time. Under the transfer-of-control approach in IFRS 15, revenue from these sales is recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

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

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

Except for short-term leases and lease of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities

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

The lease payments include:

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

The Group as a lessee (prior to 1 January 2019)

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.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Property, plant and equipment

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

Freehold land is measured at cost, less any recognised impairment loss.

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

Depreciation is recognised so as to write off the cost of assets other than freehold land and construction in progress less their residual values over their estimated useful lives, using the straight-line method over the following number of years:

Buildings	20
Electronic equipment and furniture	5
Leasehold improvements	5 years or over the term of lease, whichever is shorter
Motor vehicles	5
Plant and machinery	10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of IFRS 16 and subleased by the Group under operating leases.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties and land over their estimated useful lives of 20 years and 50 years respectively and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of IFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period in which the property is derecognised.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the consideration cannot be allocated reliably between non-lease building elements and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Borrowing costs

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

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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 of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees 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 financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI nor designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan receivable, pledged bank deposits, bank balances and amounts due from related companies). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on trade receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at amortised cost

Financial liabilities excluding derivatives, which consist of bank loans, unsecured notes, trade and other payables and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are 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.

Hedge accounting

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

Assessment of hedging relationship and effectiveness

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

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

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

Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Discontinuation of hedge accounting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Discontinuation of hedge accounting (continued)

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

Derecognition of financial liabilities

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised 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 effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

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

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

At the end of the reporting period the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an assets 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 immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other 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. 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 deferred tax assets and liabilities are not recognised if the temporary difference arises 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. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

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.

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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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, 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 that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

Short-term employee benefits

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

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

4. 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 is 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 allowance of inventories

Management reviews the inventories aging listing at the end of each reporting period, and makes allowance for obsolete and/or slow-moving inventory items identified that are no longer suitable for use in operation. Estimation of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. Where the net realisable value is less than the cost, a material impairment may arise. As at 31 December 2019, the carrying amount of inventories was RMB3,664,056,000 (2018: RMB3,319,480,000) and an allowance of RMB41,527,000 (2018: RMB60,566,000) was recognised in the profit or loss during the year ended 31 December 2019.

5. REVENUE AND 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 Chief Executive Officer ("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 acoustic modules (formerly known as miniature speaker modules), acoustic unit (formerly known as receivers and speakers)), electromagnetic drives and precision mechanics, MEMS components and other products (including optics, traditional microphones and headsets), which represent the major types of products manufactured and sold by the Group. Revenues from these products is recognised at the point in time when controls of the products had transferred.

5. REVENUE AND SEGMENT INFORMATION (continued)

No operating segments have been aggregated in arriving at the reportable segments of the Group.

All sales contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information regarding these segments is presented below.

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

	2019 RMB'000	2018 RMB'000
Operating and reportable segments		
Segment revenue – recognised at a point in time		
Dynamic components	8,167,276	8,674,642
Electromagnetic drives and precision mechanics	7,694,198	8,073,135
MEMS components	928,524	814,438
Other products	1,093,759	568,938
Revenue	17,883,757	18,131,153
Segment results		
Dynamic components	2,535,568	3,228,246
Electromagnetic drives and precision mechanics	2,280,264	3,275,363
MEMS components	255,682	216,869
Other products	35,478	22,597
Total profit for operating and reportable segments	5,106,992	6,743,075
Unallocated amounts:		
Interest income	50,273	36,840
Other income, gains and losses	196,718	199,716
Gain on final settlement of earn-out consideration	–	147,830
Fair value gain (loss) on financial assets at fair value through profit or loss	19,234	(118,881)
Distribution and selling expenses	(275,329)	(316,521)
Administrative expenses	(642,803)	(649,856)
Research and development costs	(1,717,251)	(1,512,160)
Exchange gain (loss)	62,798	(1,853)
Finance costs	(248,210)	(217,888)
Profit before taxation	2,552,422	4,310,302

There are no inter-segment sales in either year. 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 the CEO for review.

5. REVENUE AND SEGMENT INFORMATION (continued)

Depreciation, amortisation and release of prepaid lease payments (before application of IFRS 16) included in measure of segment results are as follows:

	2019 RMB'000	2018 RMB'000
Dynamic components	896,662	753,916
Electromagnetic drives and precision mechanics	552,284	424,133
MEMS components	34,700	33,251
Other products	226,325	125,699
	1,709,971	1,336,999
Unallocated portion	466,335	426,628
	2,176,306	1,763,627

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent 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, gains and losses, gain on final settlement of earn-out consideration, fair value gain (loss) on financial assets at fair value through profit or loss and exchange gain (loss). This is the measure reported to the CEO for the purpose of resource allocation and performance assessment.

Majority 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. There were no non-current assets in foreign countries that exceeds 10% of the Group's total non-current assets.

5. REVENUE AND SEGMENT INFORMATION (continued)

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

	2019 RMB'000	2018 RMB'000
Greater China* (country of domicile)	8,093,447	5,739,629
Other foreign countries:		
Other Asian countries	1,485,943	1,783,418
America	8,281,791	10,600,797
Europe	22,576	7,309
	17,883,757	18,131,153

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

The geographical information of the Group's revenue from external end customer by individual countries in America, Europe and other Asian countries are not disclosed. 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 RMB9,922,899,000 (2018: RMB10,778,892,000). The total amount of revenue by each customer and number of customers are not disclosed, as in the opinion of the management such disclosure is harmful to the Group's business.

6. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	228,822	217,888
Interest on unsecured notes	7,051	–
Interest on lease liabilities	12,337	–
	248,210	217,888

7. PROFIT BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' emoluments (note 8)	16,185	16,485
Other staff's retirement benefits scheme contributions	421,275	483,266
Other staff costs	4,187,564	3,922,881
Total staff costs	4,625,024	4,422,632
Less: Staff costs included in research and development costs	(873,928)	(906,782)
	3,751,096	3,515,850
Depreciation of property, plant and equipment	2,018,539	1,713,557
Less: Depreciation included in research and development costs	(282,279)	(237,065)
	1,736,260	1,476,492
Allowance for obsolete inventories, included in cost of goods sold (note 21)	41,527	60,566
Amortisation of intangible assets	43,838	36,236
Amortisation of upfront fee for bank loans	6,492	6,306
Auditor's remuneration	3,319	3,148
Cost of inventories recognised as expense	12,735,238	11,327,512
Cost of raw materials included in research and development costs	250,248	46,047
Depreciation of right-of-use assets	112,735	–
Depreciation of investment property	1,194	1,195
Written off of a loan receivable (note 19)	–	12,931
Impairment losses recognised in respect of goodwill (note 14)	–	3,098
Impairment losses recognised in respect of property, plant and equipment, included in other income, gains and losses (note 12)	35,096	9
Loss on disposal of property, plant and equipment	2,149	773
(Gain) loss on disposal of prepaid lease payments	(65)	5,530
(Reversal of) allowance for impairment loss on trade receivables	(110)	16,785
Short-term and low value asset leases expense	24,818	N/A
Operating lease rentals in respect of		
– building premises	N/A	52,312
– machineries	N/A	10,698
– others	N/A	2,810
Release of prepaid lease payments	N/A	12,639
Government grants*	(163,843)	(135,266)
Interest income	(50,273)	(36,840)
Rental income	(13,714)	(13,443)

* Included in the amount is RMB51,019,000 (2018: RMB15,627,000) representing amortisation of government grants. The remaining 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.

8. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

The aggregate Directors' and chief executive's remuneration for the year ended 31 December 2019 amounts to RMB16,185,000 (2018: RMB16,485,000), disclosed pursuant to the applicable Listing Rules and CO, are as follows:

For the year ended 31 December 2019:

	Pan Benjamin Zhengmin ("Mr. Pan") RMB'000	Mok Joe Kuen Richard RMB'000	Total RMB'000
Executive Directors			
Fees	–	–	–
Other emoluments:			
Salaries and other benefits	4,812	2,250	7,062
Performance related bonuses	–	4,455	4,455
Retirement benefits scheme contributions	–	16	16
Total Directors' emoluments	4,812	6,721	11,533

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

The executive Directors' emoluments shown above were for their services in connection with the affairs of the Company and the Group.

	Wu Ingrid Chun Yuan ("Ms. Wu") RMB'000	Total RMB'000
Non-executive Director		
Fees	411	411
Other emoluments:		
Salaries and other benefits	–	–
Performance related bonuses	–	–
Retirement benefits scheme contributions	–	–
Total Director's emolument	411	411

The non-executive Director's emolument shown above was for her services as Director of the Company.

8. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

For the year ended 31 December 2019: (continued)

	Koh Boon Hwee RMB'000	Poon Chung Yin Joseph RMB'000	Au Siu Cheung Albert RMB'000	Kwok Lam Kwong Larry RMB'000	Peng Zhiyuan RMB'000 (Note i)	Zhang Hongjiang RMB'000 (Note i)	Tan Bian Ee RMB'000 (Note ii)	Total RMB'000
Independent non-executive Directors								
Fees	992	655	784	612	533	467	198	4,241
Other emoluments:								
Salaries and other benefits	–	–	–	–	–	–	–	–
Performance related bonuses	–	–	–	–	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–	–	–	–	–
Total Directors' emoluments	992	655	784	612	533	467	198	4,241

The independent non-executive Directors' emoluments shown above were for their services as Directors of the Company.

Notes:

(i) Mr. Peng Zhiyuan and Mr. Zhang Hongjiang were appointed as independent non-executive Directors of the Company on 1 January 2019.

(ii) Mr. Tan Bian Ee retired on 24 May 2019.

For the year ended 31 December 2018:

	Mr. Pan RMB'000	Mok Joe Kuen Richard RMB'000	Total RMB'000
Executive Directors			
Fees	–	–	–
Other emoluments:			
Salaries and other benefits	4,536	2,165	6,701
Performance related bonuses	–	5,814	5,814
Retirement benefits scheme contributions	–	15	15
Total Directors' emoluments	4,536	7,994	12,530

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

The executive Directors' emoluments shown above were for their services in connection with the affairs of the Company and the Group.

8. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

For the year ended 31 December 2018: (continued)

	Ms. Wu RMB'000	Total RMB'000
Non-executive Director		
Fees	466	466
Other emoluments:		
Salaries and other benefits	–	–
Performance related bonuses	–	–
Retirement benefits scheme contributions	–	–
Total Director's emolument	466	466

The non-executive Director's emolument shown above was for her services as Director of the Company.

	Koh Boon Hwee RMB'000	Poon Chung Yin Joseph RMB'000	Tan Bian Ee RMB'000	Chang Carmen I-Hua RMB'000 (Note i)	Au Siu Cheung Albert RMB'000 (Note ii)	Kwok Lam Kwong Larry RMB'000 (Note ii)	Total RMB'000
Independent non-executive Directors							
Fees	1,056	698	489	186	579	481	3,489
Other emoluments:							
Salaries and other benefits	–	–	–	–	–	–	–
Performance related bonuses	–	–	–	–	–	–	–
Retirement benefits scheme contributions	–	–	–	–	–	–	–
Total Directors' emoluments	1,056	698	489	186	579	481	3,489

The independent non-executive Directors' emoluments shown above were for their services as Directors of the Company.

Notes:

(i) Ms. Chang Carmen I-Hua retired on 28 May 2018.

(ii) Mr. Au Siu Cheung Albert and Mr. Kwok Lam Kwong Larry were both appointed as independent non-executive Directors of the Company during the year ended 31 December 2018.

8. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

Employees' emoluments

The five highest paid individuals included one (2018: one) Director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2018: four) highest paid individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Employees		
– basic salaries and allowances	**7,139**	6,866
– bonus	**17,718**	22,183
– retirement benefits scheme contributions	**70**	70
	24,927	29,119

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

The emoluments were within the following bands:

	Number of employees **2019**	2018
HK$6,000,001 to HK$6,500,000	**2**	–
HK$6,500,001 to HK$7,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**–**	–
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**–**	2

No other emoluments were paid by the Group to the five highest paid individuals (including Directors of the Company and employees) as an inducement to join or as compensation for loss of office.

9. TAXATION

	2019 RMB'000	2018 RMB'000
The current tax charge (credit) comprises:		
PRC Enterprise Income Tax	226,057	393,111
Other jurisdictions	109,893	133,208
Hong Kong Profits Tax	2,931	383
PRC withholding tax	6,376	–
Overprovision of taxation in prior years	(8,831)	(9,527)
	336,426	517,175
Deferred tax (see note 30)	(6,378)	(2,758)
	330,048	514,417

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%.

According to a joint circular of Ministry of Finance and the State Taxation Administration of the PRC, Cai Shui 2008 No. 1, the accumulated undistributed profits earned by foreign invested enterprise prior to 1 January 2008 can be exempted from EIT when they are distributed to foreign investor after 2008. 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 Implementation Regulation. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to the Taxes on Income, 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 it is considered as the beneficial owner of the dividend, and remains at 10% otherwise.

In addition, certain PRC subsidiaries were officially endorsed as High and New Technology Enterprises ("HNTE") till the dates ranging from 31 October 2020 to 22 November 2022. Pursuant to the EIT Law, those PRC subsidiaries endorsed 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 program which is granted based on the fulfilment of carrying out qualifying business activities. This incentive program expired in 2018. Agreement for its extension on similar terms for another 10-year period after expiry has been signed, and is effective from 1 January 2019.

Pursuant to the relevant laws and regulation in Vietnam, one of the Group's subsidiaries is entitled to concessionary tax rate which is granted based on the fulfilment of carrying qualifying business activities. This tax holiday for the Vietnamese subsidiary will expire in 2027.

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

9. TAXATION (continued)

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**2,552,422**	4,310,302
Tax at the applicable income tax rate*	**638,106**	1,077,575
Tax effect of income not taxable for tax purpose	**(50,959)**	(39,438)
Tax effect of expenses not deductible for tax purpose	**31,694**	53,940
Tax effect of tax holiday and concession	**(208,517)**	(451,865)
Tax effect of tax losses not recognised	**106,377**	92,394
Utilisation of tax losses previously not recognised	**(9,757)**	(10,998)
Effect of super deduction for research and development cost	**(49,967)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(122,990)**	(194,643)
Overprovision in prior years	**(8,831)**	(9,527)
PRC withholding tax	**6,376**	–
Others	**(1,484)**	(3,021)
Tax charge for the year	**330,048**	514,417

* The PRC EIT rate of 25% (2018: 25%) is the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

10. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year:		
2018 final dividend of HK$1.03 (2017: HK$1.70) per ordinary share	**1,094,264**	1,751,456
2019 interim dividend of HK$0.40 (2018: HK$0.40) per ordinary share	**436,655**	428,445
	1,530,919	2,179,901

Subsequent to the end of the reporting period, in line with the prudent financial management of the Group, the Directors decided not to declare a final dividend for the year ended 31 December 2019.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2019 is based on the profit for the year attributable to owners of the Company of RMB2,222,375,000 (2018: RMB3,795,885,000) and on the weighted average of 1,210,173,000 (2018: 1,221,392,000 shares) number shares in issue during the year.

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

12. 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 1 January 2018	38,137	2,022,351	1,470,316	1,119,139	63,357	12,662,919	1,280,321	18,656,540
Currency realignment	1,195	1,886	2,795	2,483	131	13,850	3,915	26,255
Additions	–	41,954	246,962	132,827	7,842	1,366,674	1,828,817	3,625,076
Disposals	–	–	(8,406)	(2,154)	(3,267)	(38,996)	(6,475)	(59,298)
Transfers	–	154,047	28,774	129,020	1,802	1,069,385	(1,383,028)	–
At 31 December 2018	**39,332**	**2,220,238**	**1,740,441**	**1,381,315**	**69,865**	**15,073,832**	**1,723,550**	**22,248,573**
Currency realignment	**1,474**	**247**	**1,146**	**1,575**	**71**	**4,606**	**(68)**	**9,051**
Additions	**–**	**72,726**	**209,627**	**84,180**	**4,507**	**1,341,874**	**1,839,963**	**3,552,877**
Disposals	**–**	**(3,611)**	**(21,187)**	**(1,936)**	**(2,937)**	**(77,150)**	**(14,602)**	**(121,423)**
Transfers	**–**	**408,550**	**16,173**	**137,849**	**368**	**979,563**	**(1,542,503)**	**–**
At 31 December 2019	**40,806**	**2,698,150**	**1,946,200**	**1,602,983**	**71,874**	**17,322,725**	**2,006,340**	**25,689,078**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	–	284,305	728,992	554,251	30,418	3,527,535	4,648	5,130,149
Currency realignment	–	303	1,312	1,963	74	6,327	–	9,979
Provided for the year	–	99,252	204,255	199,688	9,292	1,201,070	–	1,713,557
Eliminated on disposal	–	–	(5,935)	(2,099)	(2,191)	(34,935)	–	(45,160)
Impairment losses (reversed) recognised in profit or loss	–	–	(121)	–	(1)	131	–	9
At 31 December 2018	**–**	**383,860**	**928,503**	**753,803**	**37,592**	**4,700,128**	**4,648**	**6,808,534**
Currency realignment	**–**	**109**	**787**	**790**	**51**	**2,972**	**–**	**4,709**
Provided for the year	**–**	**115,006**	**241,793**	**231,835**	**9,064**	**1,420,841**	**–**	**2,018,539**
Eliminated on disposal	**–**	**(782)**	**(17,088)**	**(760)**	**(2,550)**	**(67,333)**	**–**	**(88,513)**
Impairment losses recognised in profit or loss	**–**	**–**	**1,721**	**–**	**2**	**33,373**	**–**	**35,096**
At 31 December 2019	**–**	**498,193**	**1,155,716**	**985,668**	**44,159**	**6,089,981**	**4,648**	**8,778,365**
CARRYING VALUES								
At 31 December 2019	**40,806**	**2,199,957**	**790,484**	**617,315**	**27,715**	**11,232,744**	**2,001,692**	**16,910,713**
At 31 December 2018	39,332	1,836,378	811,938	627,512	32,273	10,373,704	1,718,902	15,440,039

During the year, the Group has reviewed the estimated useful life of its property, plant and equipment and has fully impaired certain property, plant and equipment with carrying value of RMB35,096,000 (2018: RMB131,000) 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. Reversal of impairment loss of RMB122,000 was made in the prior year (2019: nil), as certain property, plant and equipment which was fully impaired in previous years was put into use.

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

13. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Buildings RMB'000	Machineries RMB'000	Total RMB'000
As at 1 January 2019				
Carrying amount	622,362	75,721	–	698,083
As at 31 December 2019				
Carrying amount	628,384	354,422	89,106	1,071,912
For the year ended 31 December 2019				
Depreciation for the year	14,531	96,288	1,916	112,735
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16				23,370
Expense relating to leases of low-value assets, excluding short-term leases of low value assets				1,448
Total cash outflow for leases				165,997
Additions to right-of-use assets				482,451

The Group leases various buildings, machinery and leasehold land for its operations. Lease contracts are entered into for fixed term of 1 year to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group regularly entered into short-term leases for certain building premises, machineries, etc.

14. GOODWILL

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:

	Note	**2019 RMB'000**	2018 RMB'000
北京東微世紀科技有限公司 (Eastmicro Technology (Beijing) Co., Ltd.)*		**–**	–
AAC Technologies Japan R&D Centre Co., Ltd. ("AAC Japan")		**–**	–
Kaleido Technology APS		**8,705**	8,705
WiSpry, Inc.		**77,414**	77,414
深圳市軒盈通電子有限公司 (Shenzhen Xuanyingtong electronics Co., Ltd.)*	33	**78,231**	78,231
		164,350	164,350

* The English translation is for identification purpose only.

14. GOODWILL (continued)

During the year ended 31 December 2019, the Directors of the Company determines that there is no impairment of the CGU containing goodwill.

The basis of the recoverable amounts of the CGU and its major underlying assumptions are summarised below:

The recoverable amount of the CGU is determined on the basis of value in use calculation. The recoverable amount is based on certain key assumptions. These calculations use cash flow projections based on latest financial budgets approved by management covering a five-year period, using an applicable pre-tax discount rate ranging from 14.35% to 16.40% (2018: 13.37% to 16.60%). The cash flows beyond the five-year period are extrapolated using a steady growth rate of 3%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not result in significant impairment loss.

In the prior year, Eastmicro Technology (Beijing) Co., Ltd. had ceased all business operation. Therefore, an impairment loss on goodwill of RMB1,750,000 was recognised.

Also, in the prior year, an impairment loss on goodwill of RMB1,348,000 in respect of AAC Japan was recognised due to the poor development of the business in that market.

15. PREPAID LEASE PAYMENTS

In the prior year, the majority amount represents the prepayment of rentals for medium-term land use rights situated in the PRC for a period of 50 years. Prepaid lease payments has been reclassified to right-of-use assets on adoption of IFRS 16 at 1 January 2019.

16. INVESTMENT PROPERTIES

	RMB'000
CARRYING VALUES	
At 1 January 2018	16,049
Depreciation during the year	(1,195)
At 31 December 2018	**14,854**
Depreciation during the year	**(1,194)**
At 31 December 2019	**13,660**

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Equity instruments at FVTOCI

	2019 **RMB'000**	2018 RMB'000
Unlisted shares	**281,181**	141,255
Listed shares	**69,559**	37,429
	350,740	178,684

These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Unlisted shares

During the current year, the Group acquired certain equity interests in a company engaged in producing high technology products, at a consideration of RMB92,696,000.

In prior year, the Group invested in an investment vehicle holding equity interests in a company engaged in producing semiconductor components in integrated circuits and development of intellectual properties, for a consideration of RMB100,000,000. As at 31 December 2019, the fair value of the investment determined by market approach was RMB120,983,000.

Listed shares

The amount represents the Group's investment in a company listed in Japan. As at 31 December 2019, the fair value of the investment determined by reference to the quoted market bid prices available was RMB69,559,000.

(ii) Financial assets at FVTPL

	2019 **RMB'000**	2018 RMB'000
Listed shares – AMS	**–**	22,426

The amount represents the Group's investment in AMS AG ("AMS"). AMS is a Swiss listed company incorporated in Austria and is engaged in the manufacturing of sensor and analogy solutions.

During the current year, all AMS shares were disposed in the market for an aggregate proceed of RMB41,804,000 (2018: RMB737,374,000). A gain on changes in fair value on the AMS shares of RMB19,234,000 (2018: fair value loss of RMB118,881,000) has been recognised in the profit or loss.

18. INTANGIBLE ASSETS

	Patents RMB'000	Development expenditure RMB'000	Customer base RMB'000	Total RMB'000
COST				
At 1 January 2018	250,725	159,901	–	410,626
Currency realignment	3,603	6,549	–	10,152
Acquisition of a business	–	–	113,800	113,800
Addition	24,723	–	–	24,723
At 31 December 2018	**279,051**	**166,450**	**113,800**	**559,301**
Currency realignment	**151**	**2,250**	**–**	**2,401**
Addition	**109,679**	**–**	**–**	**109,679**
At 31 December 2019	**388,881**	**168,700**	**113,800**	**671,381**
AMORTISATION AND IMPAIRMENT				
At 1 January 2018	106,446	48,341	–	154,787
Currency realignment	308	1,363	–	1,671
Provided for the year	16,653	12,471	7,112	36,236
At 31 December 2018	**123,407**	**62,175**	**7,112**	**192,694**
Currency realignment	**278**	**687**	**–**	**965**
Provided for the year	**19,497**	**12,961**	**11,380**	**43,838**
At 31 December 2019	**143,182**	**75,823**	**18,492**	**237,497**
CARRYING VALUE				
At 31 December 2019	**245,699**	**92,877**	**95,308**	**433,884**
At 31 December 2018	155,644	104,275	106,688	366,607

Patents represent the Group's patents on designs of small and sophisticated module structures, and new addition mainly represent method to measure and control the displacement of the diaphragm. 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. Customer base represents Group's customer relationship acquired by the Group as part of a business combination in the prior year (details set out in note 33).

Amortisation is provided to write off the cost of patents, development expenditure and customer base, using the straight line method, over the estimated useful life ranging from 5 to 20 years.

19. LOAN RECEIVABLE

In prior year, the Group has agreed with the former non-controlling shareholder to waive its right to enforce payment of the loan receivable, net of the consideration payable due to the former non-controlling shareholder of RMB6,863,000. As a result, the loan receivable net of the consideration payable of RMB12,931,000 was written off.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Derivatives financial assets – under hedge accounting		
Interest rate swap contracts	–	11,153
Derivatives financial liabilities – under hedge accounting		
Interest rate swap contracts	15,812	998

The Group entered into the interest rate swap contracts with commercial banks to minimise its exposure to cash flow changes of its floating-rate United States dollars bank loans by swapping floating interest rates to fixed interest rates. The terms of these contracts were negotiated to match with those of the hedged bank loans with the same notional amounts to principal amounts of bank loans, currency and interest rate index. The management considers that the interest rate swap contracts are highly effective hedging instruments and have designated them as cash flow hedging instruments for hedge accounting purpose.

The hedges were highly effective in hedging cash flow exposure to interest rate movements. Net adjustments on cash flow hedges of loss of RMB25,632,000 for the year ended 31 December 2019 (2018: gain of RMB5,717,000) have been recognised in OCI and accumulated in equity. The management expected the accumulated sum is to be released to profit or loss at various dates in the coming maturity periods after the reporting period.

Included in borrowings as disclosed in note 27 were bank loans of RMB1,395,242,000 (2018: RMB1,372,639,000) which were under cash flow hedges and the major terms of the interest rate swap contracts under cash flow hedges at the end of the reporting period are as follows:

Notional amount	Maturity	Swaps
US$100,000,000	7 September 2022	From LIBOR* to fixed 1.9%
US$100,000,000	7 September 2022	From LIBOR* to fixed 2.52%

* LIBOR represents London Interbank Offered Rate.

The above derivatives are measured at fair value. The classification of the measurement of the above derivatives at 31 December 2019 is Level 2 under the fair value hierarchy (details set out in note 37).

21. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	882,277	804,842
Work in progress	689,547	311,861
Finished goods	2,092,232	2,202,777
	3,664,056	3,319,480

The Group has written off provision for obsolete inventories of RMB42,765,000 (2018: RMB18,586,000) in the current year.

During the year, allowance for obsolete inventories of approximately RMB41,527,000 (2018: RMB60,566,000) has been recognised and included in cost of goods sold.

22. TRADE AND OTHER RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Trade receivables	**4,177,967**	3,172,752
Bank acceptance and commercial bills	**167,339**	196,261
	4,345,306	3,369,013
Prepayments	**314,203**	307,409
Value-added tax recoverable	**768,098**	520,685
Other receivables	**127,029**	246,325
Loan receivables and interest*	**21,400**	30,781
	5,576,036	4,474,213

* Loans of RMB20,500,000 (2018: RMB30,000,000) made to certain suppliers of the Group are secured, and carry interest rates at 4.35% (2018: 4.35%) per annum. The amounts are repayable in 1 year.

The following is an analysis of trade receivables and bank acceptance and commercial bills net of allowance 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.

	2019 **RMB'000**	2018 RMB'000
Age		
0 – 90 days	**4,204,458**	3,269,316
91 – 180 days	**140,388**	94,939
Over 180 days	**460**	4,758
	4,345,306	3,369,013

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.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB70,656,000 (2018: RMB60,999,000) which are past due as at the reporting date. Included in the past due balances, RMB460,000 (2018: RMB1,359,000) has been past due 90 days or more and is not considered as in default based on good repayment records for those customers and continuous business with the Group.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2019 and 2018 are set out in note 36.

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

	2019 **RMB'000**	2018 RMB'000
US$	**77,704**	134,522
Euro	**243**	211

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Amounts due from related companies

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

Name of related company	2019 RMB'000	2018 RMB'000
深圳市遠宇實業發展有限公司 (Shenzhen Yuanyu Industrial Development Co., Ltd.)*	1,680	1,680
四川茵地樂科技有限公司 (Sichuan Yindile Technology Co., Ltd.)*	1,575	2,665
四川茵地樂材料科技集團有限公司 (Sichuan Yindile Materials & Technology Group Co., Ltd.)*	367	584
常州中科來方能源發展有限公司 (Changzhou Zhongke Laifang Power Development Co., Ltd.)*	–	61
常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd.)*	–	1
	3,622	4,991

* The English translation is for identification purpose only.

The above amounts were all trade in nature, unsecured, interest-free and are repayable on demand.

Amounts due to related companies

Details of amounts due to related companies are stated as follows:

Name of related company	2019 RMB'000	2018 RMB'000
常州市武進湖塘何家紅光沖件廠 (Wujin Hutang Hejia Hongguang Stamping Factory)*	59,922	46,691
常州市友晟電子有限公司 (Changzhou Yousheng Electronics Co., Ltd.)*	14,082	11,652
紅光越南塑業有限公司 (Hongguang Viet Nam Plastic Co., Ltd.)*	1,350	3,853
四川茵地樂材料科技集團有限公司 (Sichuan Yindile Materials & Technology Group Co., Ltd.)*	–	271
常州遠宇精密模具製造有限公司 (Changzhou Yuanyu Precise Model Manufacturing Co., Ltd.)*	–	1
	75,354	62,468

* The English translation is for identification purpose only.

The above amounts were trade-related, unsecured, interest-free and are repayable on demand. Certain close family members of Ms. Wu and Mr. Pan have controlling interests in these related companies.

24. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Deposit amounting to RMB11,100,000 (2018: RMB2,100,000) has been pledged to secure credit facilities granted to certain subsidiaries which is expected to be repaid within one year.

As at 31 December 2019, included in bank balances and cash is a balance of time deposits with original maturity over three months of RMB697,620,000 (2018: RMB67,545,000).

The bank balances carry variable interest rates ranging from 0.00% to 2.34% (2018: 0.00% to 2.317%) per annum and fixed interest rates ranging from 1.10% to 2.41% (2018: 1.10% to 2.025%) per annum. The pledged bank deposits carry fixed interest rates of 1.35% to 1.75% (2018: 0.30% to 1.75%) per annum.

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**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
US$	**–**	–	**1,462,868**	1,096,175
HK$	**–**	–	**72,639**	171,824
Japanese Yen	**–**	–	**17,874**	48,538
Euro	**–**	–	**56,816**	20,178
Other currencies	**–**	–	**15,193**	22,839

25. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

Trade and other payables

	2019	2018
	RMB'000	RMB'000
Trade payables	**2,838,031**	2,057,992
Notes payables – guaranteed	**1,122,915**	1,161,347
	3,960,946	3,219,339
Payroll and welfare payables	**547,060**	546,905
Payables for acquisition of property, plant and equipment	**450,655**	341,675
Other payables and accruals	**515,455**	440,321
	5,474,116	4,548,240

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

25. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (continued)

Trade and other payables (continued)

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

	2019 RMB'000	2018 RMB'000
Age		
0 – 90 days	3,346,891	2,593,244
91 – 180 days	599,632	618,059
Over 180 days	14,423	8,036
	3,960,946	3,219,339

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

	2019 RMB'000	2018 RMB'000
US$	548,346	652,488
Japanese Yen	25,144	19,803
Euro	7,038	3,553

Contract liabilities

	2019 RMB'000	2018 RMB'000
Contract liabilities on sales of miniaturised components	10,271	8,673

Included in the contract liabilities at 31 December 2018, a balance of RMB2,055,000 was recognised as revenue in the current year.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. For a small number of the Group's customers, the Group receives a deposit ranging from 30% to 100% on acceptance of manufacturing orders.

26. LEASE LIABILITIES

	31.12.2019 RMB'000
Lease liabilities payable:	
Within one year	96,742
Within a period of more than one year but not more than two years	90,260
Within a period of more than two years but not more than five years	119,180
Within a period of more than five years	100,892
	407,074
Less: Amount due for settlement within 12 months shown under current liabilities	96,742
Amount due for settlement after 12 months shown under non-current liabilities	310,332

The lease agreements did not contain any contingent rent for leasee.

No extension options are included in all lease agreements entered by the Group. The incremental borrowing rates applied is 4.46%. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	EUR RMB'000	SGD RMB'000	JPY RMB'000
As at 31 December 2019	52,217	5,563	14

27. BANK LOANS

	2019 RMB'000	2018 RMB'000
Bank loans	5,725,699	5,920,361
Less: Amount due within one year included in current liabilities	1,876,094	3,492,507
Amount due after one year	3,849,605	2,427,854
Bank loans are repayable as follows:		
Within one year	1,876,094	3,492,507
After one year but within two years	2,296,001	626,660
After two years but within five years	1,253,604	1,801,194
After five years	300,000	–
	5,725,699	5,920,361

27. BANK LOANS (continued)

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

	2019 RMB'000	2018 RMB'000
US$	683,188	737,977
HK$	241,851	236,636
RMB	–	199,994

The Group's variable loans carry interest at London Interbank Offered Rate ("LIBOR") plus a certain basis point adjustment.

The variable rate bank loans carry interest rate ranging from 3.61% to 4.21% per annum (31 December 2018: 3.19% to 3.74% per annum). The fixed rate bank loans carry interest rate ranging from 3.20% to 4.90% per annum (31 December 2018: 2.90% to 4.75% per annum). The Company issued guarantees to respective banks to secure these borrowings.

28. UNSECURED NOTES

The amount represents US$388,000,000 unsecured notes at a fixed coupon rate of 3.00% per annum, payable semi-annually in arrears. The unsecured notes are listed on the Stock Exchange. The effective interest rate of the unsecured notes is 3.15% per annum. The principal amount of the unsecured notes will mature in November 2024.

29. GOVERNMENT GRANTS

During the year, the Group received government grants of RMB142,178,000 (2018: RMB46,244,000) in aggregate from various PRC government authorities as an incentive for leasing factories, constructing electronic plants and acquiring machineries. The amount received is to be amortised and released to profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs.

During the year, RMB51,019,000 (2018: RMB15,627,000) of the grants have been released to profit or loss.

30. DEFERRED TAX LIABILITIES

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

	Intangible assets RMB'000	PRC withholding tax on undistributed earnings RMB'000	Total RMB'000
At 1 January 2018	22,430	23,522	45,952
Acquisition of a business	28,450	–	28,450
Credited to profit or loss	(2,758)	–	(2,758)
Currency realignment	25	–	25
At 31 December 2018	**48,147**	**23,522**	**71,669**
Credited to profit or loss	**(3,533)**	**(2,845)**	**(6,378)**
Currency realignment	**101**	**–**	**101**
At 31 December 2019	**44,715**	**20,677**	**65,392**

At 31 December 2019, 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 management to retain the earnings within these subsidiaries.

At the end of the reporting period, certain subsidiaries of the Group has unused tax losses of RMB1,507,528,000 (2018: RMB1,121,048,000) available for offset against future profits. These losses may be carried forward for five years to year 2024 (2018: year 2023) 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.

31. SHARE CAPITAL

	Number of shares	Amount US$'000
Shares of US$0.01 each		
Authorised:		
Ordinary shares at 1 January 2018, 31 December 2018 and 31 December 2019	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares at 1 January 2018	1,222,000,000	12,220
Shares repurchased and cancelled	(4,000,000)	(40)
Ordinary shares at 31 December 2018	**1,218,000,000**	**12,180**
Shares repurchased and cancelled	**(9,500,000)**	**(95)**
Ordinary shares at 31 December 2019	**1,208,500,000**	**12,085**

	RMB'000
At 1 January 2018	99,231
Shares repurchased and cancelled	(325)
At 31 December 2018	**98,906**
Shares repurchased and cancelled	**(771)**
At 31 December 2019	**98,135**

During the year, the Company repurchased a total of 7,500,000 issued ordinary shares of the Company in the market for a consideration of HK$319,854,000 (equivalent to approximately RMB277,456,000). 9,500,000 ordinary shares were cancelled during the year ended 31 December 2019, including 2,000,000 ordinary shares which were repurchased in the previous year.

32. SHARE AWARD SCHEME

On 23 March 2016, the Company had adopted the AAC Share Award Scheme (the "Scheme") constituted by a Trust Deed between the Company and Bank of Communications Trustee Limited (the "Trustee"), in which employees may be selected by the Board to participate. Pursuant to the Scheme, shares of the Company will be subscribed for at a subscription price as determined by the Board of the Company, or purchased on the Stock Exchange, by the Trustee of the trusts declared in the Trust Deed.

On the grant of the share awards, the relevant number of shares is legally issued or transferred to the Trustee who holds the shares for the benefit of the selected employees. A grantee shall not have any interest or rights (including the right to receive dividends) in the shares prior to the vesting of the shares.

The expenses in relation to the share awards will be charged to profit or loss over the relevant vesting periods with a corresponding increase in equity.

During the year, no new shares have been issued to the Trustee and no shares of the Company had been purchased by the Trustee nor any share awards had been granted to any employees.

33. ACQUISITION OF A BUSINESS

Acquisition of 深圳市軒盈通電子有限公司 ("Xuanyingtong")

On 17 May 2018, the Group completed the acquisition of the entire registered capital of Xuanyingtong for a consideration of RMB164,131,000.

Consideration transferred as at date of acquisition

	RMB'000
Total consideration	164,131
Less: Consideration payable	(4,083)
Cash paid at date of acquisition	160,048

Acquisition-related costs amounting to RMB177,000 have been excluded from the cost of acquisition and have been recognised directly as an expense and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised on 17 May 2018 (date of acquisition) are as follows:

	RMB'000
Intangible assets	113,800
Inventories	4,870
Trade and other receivables	137,149
Bank balances and cash	4,969
Trade and other payables	(146,438)
Deferred tax liability	(28,450)
	85,900
Net cash outflow on acquisition:	
Total consideration	(164,131)
Consideration payable, included in other payables	4,083
Cash and cash equivalents acquired	4,969
	(155,079)
Goodwill arising on acquisition:	
Purchase consideration	164,131
Less: Fair value of identified net assets acquired	(85,900)
	78,231

33. ACQUISITION OF A BUSINESS (continued)

Acquisition of 深圳市軒盈通電子有限公司 ("Xuanyingtong") (continued)

The fair value of the intangible assets acquired was estimated by applying an income approach. The key model inputs used in determining the fair value were discount rate of 16.6% and long-term sustainable growth rate of 3%.

The fair value of trade and other receivables at the date of acquisition amounted to RMB137,149,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB137,149,000 at the date of acquisition. All contractual receivables at acquisition date are expected to be recoverable.

Goodwill arose in the acquisition of Xuanyingtong because the cost of acquisition includes a control premium. In addition, the consideration paid for the acquisition effectively included an amount in relation to the benefit of expected synergies and revenue growth of Xuanyingtong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising from this acquisition was not expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2018 is a profit of RMB23,238,000 attributable to Xuanyingtong. Revenue for the year ended 31 December 2018 includes RMB373,057,000 attributable to Xuanyingtong.

Had the acquisition of Xuanyingtong been completed on 1 January 2018, the total amount of revenue of the Group for the year ended 31 December 2018 would have been RMB18,341,598,000 and the amount of the profit for the year ended 31 December 2018 would have been RMB3,795,030,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the period, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xuanyingtong been acquired at the beginning of the period, the management has calculated amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements of Xuanyingtong.

34. OPERATING LEASE COMMITMENTS

The Group as a lessee

The Group was committed to make the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	65,422
In the second to fifth year inclusive	29,658
	95,080

Operating lease payments represent rental payable by the Group for certain building premises, machineries, etc. Leases are negotiated and rentals are fixed for a lease term of 1 to 5 years.

The Group as a lessor

The property held for rental purposes have committed lessees for the next 4 years.

Minimum lease payments receivable on leases are as follows:

	2019 **RMB'000**
Within one year	**14,358**
In the second year	**15,220**
In the third year	**15,220**
In the fourth year	**8,067**
	52,865

The Group had contracted with lessee for the following future minimum lease payments:

	2018 RMB'000
Within one year	14,358
In the second to fifth year inclusive	52,865
	67,223

35. CAPITAL COMMITMENTS

	2019 **RMB'000**	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment	**399,694**	732,453

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Derivative financial instruments	–	11,153
Financial assets at FVTPL	–	22,426
Equity instruments at FVTOCI	350,740	178,684
Financial assets at amortised cost	10,020,430	7,779,705
Financial liabilities		
Derivative financial instruments	15,812	998
Financial liabilities at amortised cost	13,793,923	10,400,210
Lease liabilities	407,074	N/A

Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, amounts due from (to) related companies, pledged bank deposits, bank balances and cash, trade and other payables, lease liabilities, unsecured notes and bank loans. 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. 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 consider to monitor 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.

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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
US$	12,919,302	10,254,703	11,909,258	9,217,249
Japanese Yen	166,397	134,431	120,280	81,064
Euro	581,722	22,109	299,360	9,103
HK$	478,687	571,364	244,396	238,967

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk – spot rates (continued)

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% (2018: 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% (2018: 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% (2018: 5%) against the relevant currency and vice versa. For a 5% (2018: 5%) weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	Impact	
	2019	2018
	RMB'000	RMB'000
Decrease in profit for the year		
US$	**(37,877)**	(38,905)
Japanese Yen	**(1,729)**	(2,001)
Euro	**(10,589)**	(488)
HK$	**(8,786)**	(12,465)

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.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, lease liabilities, fixed-rate bank loans and fixed rate unsecured notes (details of which are set out in notes 24, 26, 27 and 28). The bank deposits and the majority of the fixed-rate bank loans will mature within one year, the management considers the risk is insignificant to the Group.

The Group is also exposed to cash flow interest rate risk in relation to bank deposits carried interest at prevailing market deposit rate and floating-rate bank loans (details of which are set out in notes 24 and 27). In order to keep the Group's bank loans at fixed rates, the Group entered into interest rate swaps to hedge against its exposures to changes in cash flows of certain bank loans. The critical terms of these interest rate swaps are the same to those of hedged bank loans. Interest rate swaps are designated as effective hedging instruments and hedge accounting is used (details of which are set out in note 20).

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

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 and bank loans under cash flow hedges which are not interest sensitive.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would increase/decrease by RMB4,230,000 (2018: increase/decrease by RMB10,137,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans and bank balances.

Other price risk

The Group is exposed to equity price risk on its investments in listed equity securities at FVTPL/FVTOCI.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate of 10% is applied in current year.

As at 31 December 2019, if the prices of the respective equity instruments had been 10% higher/lower, the profit for the year ended 31 December 2019 and the investment revaluation reserve as at 31 December 2019 would increase/decrease by RMB0 (2018: RMB2,243,000) and RMB6,956,000 (2018: RMB3,743,000), respectively for the Group as a result of the changes in fair value of financial assets at FVTPL and equity instruments at FVTOCI respectively.

In management's opinion, the above sensitivity analysis is for illustrative purpose only and is unrepresentative of the inherent equity price risk facing by the Group as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

As at 31 December 2019 and 2018, 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 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 management considers 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.

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2019, the Group has concentration of credit risk on total trade and bills receivables as 72.84% (2018: 69.91%) of the total trade and bills receivables are due from the Group's five largest customers. These five customers are large multi-national corporations and are mobile phone and/or consumer electronic companies. The management considers, based on the strong financial background, good creditability and repayment history of those debtors, there are no significant credit risks.

The Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

Management assessed the expected loss on trade and bills receivables individually by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In addition, the management is of the opinion that there has no default occurred for trade receivables past due 90 days or more and the balances are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's trade and bills receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor. The following table provides information about the exposure to credit risk and ECL for trade and bills receivables which are assessed collectively based on provision matrix during the year.

For the year ended 31 December 2019

	Gross carrying amount RMB'000	Weighted average loss rate	Loss allowance RMB'000	Net carrying amount RMB'000
Trade and bills receivables				
1 – 90 days past due	70,227	0.04%	(31)	70,196
91 – 180 days past due	443	9.9%	(44)	399
Over 180 days past due	193	68.4%	(132)	61
	70,863		(207)	70,656

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

For the year ended 31 December 2018

	Gross carrying amount RMB'000	Weighted average loss rate	Loss allowance RMB'000	Net carrying amount RMB'000
Trade and bills receivables				
1 – 90 days past due	59,900	0.4%	(260)	59,640
91 – 180 days past due	1,382	10.0%	(138)	1,244
Over 180 days past due	944	87.8%	(829)	115
	62,226		(1,227)	60,999

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade and bills receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired) RMB'000**	**Total RMB'000**
As at 1 January 2018	–	4,623	4,623
Impairment losses recognised	1,227	15,558	16,785
Currency realignment	–	32	32
As at 31 December 2018 and 1 January 2019	**1,227**	**20,213**	**21,440**
Changes due to trade and bills receivables recognised as at 1 January 2019			
– impairment losses recognised	**103**	**–**	**103**
New financial assets originated or purchased	**136**	**–**	**136**
Impairment losses reversed	**(349)**	**–**	**(349)**
Written off	**(913)**	**–**	**(913)**
Currency realignment	**3**	**–**	**3**
As at 31 December 2019	**207**	**20,213**	**20,420**

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

In determining the ECL for other receivables, the management has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant.

For amounts due from related companies, in order to minimise the credit risk, the management continuously monitors the settlement status and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In the opinion of the management, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant in accordance with IFRS 9 as at 31 December 2019 and 2018 and thus no impairment loss was recognised.

The management considers the bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, impairment loss was considered as insignificant.

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	1 - 2 years RMB'000	2 - 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2019								
Non-derivative financial liabilities								
Non-interest bearing	–	614,055	4,768,694	–	–	–	5,382,749	5,382,749
Variable interest rate	3.8%	–	349,444	933,791	565,915	–	1,849,150	1,736,646
Fixed interest rate	3.7%	–	1,830,149	1,857,144	3,641,312	520,798	7,849,403	7,081,602
		614,055	6,948,287	2,790,935	4,207,227	520,798	15,081,302	14,200,997
Derivatives – gross settlement interest rate swap contracts								
– inflow		–	(38,066)	(23,440)	(9,960)	–	(71,466)	(70,297)
– outflow		–	45,803	29,717	12,161	–	87,681	86,109
		–	7,737	6,277	2,201	–	16,215	15,812

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate	On demand RMB'000	Less than 1 year RMB'000	1 - 2 years RMB'000	2 - 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2018								
Non-derivative financial liabilities								
Non-interest bearing	–	626,095	3,853,754	–	–	–	4,479,849	4,479,849
Variable interest rate	3.5%	–	318,081	371,035	735,380	–	1,424,496	1,322,827
Fixed interest rate	4.0%	–	3,238,939	422,720	1,134,067	–	4,795,726	4,597,534
		626,095	7,410,774	793,755	1,869,447	–	10,700,071	10,400,210
Derivatives – gross settlement								
interest rate swap contracts								
– inflow		–	(26,895)	(24,682)	(20,537)	–	(72,114)	(69,432)
– outflow		–	26,727	25,198	21,251	–	73,176	70,430
		–	(168)	516	714	–	1,062	998

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at 2019 RMB'000	Fair value as at 2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Interest rate swap contracts	**– Assets (under hedge accounting)**	11,153 Assets (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter- parties and of the Group as appropriate.	N/A	N/A
Equity instruments at FVTOCI – Listed shares	**69,559**	37,429	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial assets at FVTPL – Listed shares	**–**	22,426	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity instruments at FVTOCI – Unquoted equity investments	**6,920**	12,409	Level 3	Income approach. The discounted cash flow method was used to capture future economic benefits to be derived from the ownership of these investments.	Discount rate, taking into account of weighted average cost of capital determined using a Capital Asset Pricing Model.	The higher the discount rate, the lower the fair value, and vice versa.
					Forecasted future cash flows.	The higher the forecast cash flow, the higher the fair value, and vice versa.
Equity instruments at FVTOCI – Unquoted equity investments	**92,696**	–	N/A (Note)			
Equity instruments at FVTOCI – Unquoted equity investments	**181,565**	128,846	Level 3	Market approach. The market approach was used to determine the valuation using trailing-twelve-month ("TTM") Price-to-Sales ("P/S") multiples of selected comparable listed companies in a similar business and similar business model and adjusted for the lack of marketability.	The lack of marketability discount.	The higher the lack of marketability discount, the lower the fair value.
					TTM P/S multiples of selected comparable companies.	The higher the TTM P/S multiples, the higher the fair value.

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Financial liabilities	Fair value as at 2019 RMB'000	Fair value as at 2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable input(s)	Sensitivity/ relationship of unobservable inputs to fair value
Interest rate swap contracts	**15,812 Liabilities (under hedge accounting)**	998 Liabilities (under hedge accounting)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at an applicable discount rate taking into account the credit risk of the counter- parties and of the Group as appropriate.	N/A	N/A

Note: The investment was made near the end of reporting period, the management is of the opinion that the fair value of the investment as at 31 December 2019 approximately to the acquisition cost.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Reconciliation of level 3 fair value measurements

	Equity instruments at FVTOCI RMB'000
At 1 January 2018	27,243
Purchase made	100,000
Fair value changes on equity instruments at FVTOCI	12,152
Currency realignment	1,860
At 31 December 2018	**141,255**
Purchase made	**92,696**
Fair value changes on equity instruments at FVTOCI	**46,607**
Currency realignment	**623**
At 31 December 2019	**281,181**

38. 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 profits.

38. CAPITAL RISK MANAGEMENT (continued)

The management reviews the capital structure regularly. As part of this review, the management considers 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.

39. RETIREMENT BENEFITS SCHEME

The Group mainly participates in the mandatory pension fund and social insurance schemes for its employees in the PRC, Vietnam, Singapore and Hong Kong.

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 employees of the Group's PRC and Vietnam subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC and Vietnam government. The employees of the Group's Singapore subsidiaries are members of the Central Provident Fund Board in Singapore operated by the Government of Singapore. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

40. 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, all of which are transacted with entities controlled by close family members of substantial shareholders of the Company. The substantial shareholders are also Directors of the Company.

Nature of transactions	**2019**	2018
	RMB'000	RMB'000
Purchase of raw materials	**128,702**	121,712
Sales of raw materials	**1,829**	1,457
Property rentals paid	**–**	24,860
Property rentals paid for leases liabilities	**24,878**	–
Property rentals received	**1,558**	1,562
Consulting fee	**226**	–
	US$'000	US$'000
Property rentals paid	**–**	184
Property rentals paid for leases liabilities	**175**	–

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 8.

Balances with related parties are disclosed in note 23.

41. 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 31 December 2019 and 31 December 2018, are as follows:

Name of subsidiary	Country of establishment/ operations	Nominal value of issued and fully paid share/ registered capital	Principal activities
AAC Acoustic Technologies Inc.*	British Virgin Islands	Registered capital – US$50,000	Investment
AAC Technologies Pte. Ltd.#	Singapore	Ordinary Shares – SGD500,000	Sale of products, research and development
AAC Technologies Vietnam Co., Ltd. (Note a)#	Vietnam	Registered capital – US$6,500,000	Manufacture and sales of products
香港遠宇電子有限公司 YEC Electronics Limited#	Hong Kong	Ordinary shares – HK$10,000	Sales of acoustic related products
瑞聲科技(香港)有限公司 AAC Technologies Limited (Note r)#	Hong Kong	Ordinary shares – HK$10,000	Sales of acoustic related products, investment, research and development
瑞聲(中國)投資有限公司 AAC (China) Investment Co., Ltd. (Note b)#	PRC	Registered capital – US$400,000,000	Investment
瑞泰(江蘇)投資有限公司 Ruitai (Jiangsu) Investment Co., Ltd. (Note c)#	PRC	Registered capital – US$250,000,000	Investment
瑞聲聲學科技(常州)有限公司 AAC Acoustic Technologies (Changzhou) Co., Ltd. (Note d)#	PRC	Registered capital – US$8,000,000	Manufacture and sales of acoustic products, research and development
瑞聲通訊科技(常州)有限公司 AAC Communication Technologies (Changzhou) Co., Ltd. (Note e)#	PRC	Registered capital – US$362,000,000 (2018: US$168,000,000)	Manufacture and sales of products, research and development
瑞聲光電科技(常州)有限公司 AAC Microtech (Changzhou) Co., Ltd. (Note f)#	PRC	Registered capital – US$122,800,000	Manufacture and sales of electronic components, research and development
瑞聲精密製造科技(常州)有限公司 AAC Module Technologies (Changzhou) Co., Ltd. (Note g)#	PRC	Registered capital – US$336,800,000 (2018: US$276,800,000)	Manufacture and sales of tooling and precision components, research and development

41. 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
瑞聲光學科技(常州)有限公司 AAC Optics Technologies (Changzhou) Co., Ltd. (Note h)#	PRC	Registered capital – US$120,000,000	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 i)#	PRC	Registered capital – US$23,000,000	Manufacture and sales of precision components and acoustic products, research and development
常州泰瑞美電鍍科技有限公司 Changzhou Tairuimei Electroplating Technology Co., Ltd. (Note j)#	PRC	Registered capital – RMB69,000,000	Provision of electroplating service
瑞聲科技(沭陽)有限公司 AAC Technologies (Shuyang) Co., Ltd. (Note k)#	PRC	Registered capital – US$9,000,000	Manufacture and sales of precision components for acoustic products, research and development
瑞聲精密電子沭陽有限公司 AAC Precision Electronics Shuyang Co., Ltd. (Note l)#	PRC	Registered capital – US$104,980,000	Manufacture and sales of electronics related accessories and components, research and development
沭陽瑞泰科技有限公司 Shuyang Ruitai Technologies Co., Ltd. (Note m)#	PRC	Registered capital – US$292,000,000	Manufacture and sales of electronic components, research and development
瑞聲光電科技(蘇州)有限公司 AAC Optronics Technologies (Suzhou) Co., Ltd. (Note n)#	PRC	Registered capital – RMB1,417,503,000 (2018: US$187,000,000)	Manufacture and sales of electronic components, research and development
瑞聲開泰(深圳)科技發展有限公司 AAC Kaitai (Shenzhen) Sci-Tech Development Co., Ltd. (Note o)#	PRC	Registered capital – RMB275,952,000 (2018: US$40,000,000)	Sales of products
瑞聲聲學科技(深圳)有限公司 AAC Acoustic Technologies (Shenzhen) Co., Ltd. (Note p)#	PRC	Registered capital – US$141,580,000 (2018: US$100,000,000)	Manufacture and sales of acoustic products, research and development
瑞泰精密(南寧)科技有限公司 AAC Raytech Module (Nanning) Technologies Co., Ltd. (Note q)#	PRC	Registered capital – US$100,000,000	Manufacture and sales of products

41. PRINCIPAL SUBSIDIARIES (continued)

(a) General information of subsidiaries (continued)

Notes:

(a) Wholly-owned foreign enterprise commencing 20 September 2013 to 19 December 2052.
(b) Wholly-owned foreign enterprise for a term of 30 years commencing 13 November 2012.
(c) Wholly-owned foreign enterprise for a term of 30 years commencing 20 September 2016.
(d) Wholly-owned foreign enterprise for a term of 50 years commencing 28 September 2003.
(e) Wholly-owned foreign enterprise for a term of 20 years commencing 31 December 2008.
(f) Wholly-owned foreign enterprise for a term of 50 years commencing 13 April 2006.
(g) Wholly-owned foreign enterprise for a term of 20 years commencing 8 May 2007.
(h) Wholly-owned foreign enterprise for a term of 20 years commencing 29 July 2013.
(i) Wholly-owned foreign enterprise for a term of 30 years commencing 28 January 2000.
(j) Wholly-owned foreign enterprise for a term of 20 years commencing 11 April 2005.
(k) Wholly-owned foreign enterprise for a term of 20 years commencing 8 November 2006.
(l) Wholly-owned foreign enterprise for a term of 20 years commencing 13 June 2010.
(m) Wholly-owned foreign enterprise for a term of 20 years commencing 24 September 2015.
(n) Wholly-owned foreign enterprise for a term of 35 years commencing 6 April 2004.
(o) Wholly-owned foreign enterprise for a term of 10 years commencing 29 August 2013.
(p) Wholly-owned foreign enterprise for a term of 20 years commencing 12 January 2004.
(q) Wholly-owned foreign enterprise for a term of 20 years commencing 29 November 2017. The name had been changed from 瑞聲科技(南寧)有限公司 to 瑞聲精密(南寧)科技有限公司 on 29 October 2019, and changed to 瑞泰精密(南寧)科技有限公司 on 25 March 2020.
(r) The name of the subsidiary had been changed from AAC Acoustic Technologies Limited to AAC Technologies Limited on 13 August 2019.

Indirectly wholly-owned subsidiary
* Directly wholly-owned subsidiary

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

There were no material non-controlling interest in aggregate or individually as at 31 December 2018 and 31 December 2019.

(c) Change in ownership interest in subsidiaries

During the year ended 31 December 2017, the Group had acquired additional interests in Mems Technology Pte. Ltd. increasing its equity interests from 60% to 100%.

In the prior year, partial consideration of RMB16,488,000 was paid and an amount of RMB6,863,000 was offset against loan receivable (details as set out in note 19). During the year ended 31 December 2019, the remaining consideration of RMB11,868,000 had been paid.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Unsecured notes RMB'000	Bank loans RMB'000	Consideration payable in relation to acquisition of additional interests in subsidiaries RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2018	–	6,289,914	33,348	–	1,701	8,352	6,333,315
Bank loans raised	–	5,071,907	–	–	–	–	5,071,907
Repayment of bank loans	–	(5,627,102)	–	–	–	–	(5,627,102)
Foreign exchange translation	–	179,336	1,679	–	–	–	181,015
Amortisation of upfront fee for bank loans	–	6,306	–	–	–	–	6,306
Loan receivable offset	–	–	(6,863)	–	–	–	(6,863)
Consideration paid	–	–	(16,488)	–	–	–	(16,488)
Dividend declared	–	–	–	–	2,179,901	–	2,179,901
Dividend paid	–	–	–	–	(2,181,600)	–	(2,181,600)
Finance costs	–	–	–	–	–	217,888	217,888
Interest paid	–	–	–	–	–	(215,695)	(215,695)
At 31 December 2018	**–**	**5,920,361**	**11,676**	**–**	**2**	**10,545**	**5,942,584**
Effect of adoption of new standard of IFRS 16	**–**	**–**	**–**	**75,291**	**–**	**–**	**75,291**
At 1 January 2019	**–**	**5,920,361**	**11,676**	**75,291**	**2**	**10,545**	**6,017,875**
Bank loans raised	**–**	**3,234,355**	**–**	**–**	**–**	**–**	**3,234,355**
Repayment of bank loans	**–**	**(3,497,570)**	**–**	**–**	**–**	**–**	**(3,497,570)**
Foreign exchange translation	**(20,710)**	**62,061**	**192**	**6,537**	**–**	**–**	**48,080**
Amortisation of upfront fee for bank loans	**–**	**6,492**	**–**	**–**	**–**	**–**	**6,492**
Issuance of unsecured notes	**2,706,185**	**–**	**–**	**–**	**–**	**–**	**2,706,185**
Consideration paid	**–**	**–**	**(11,868)**	**–**	**–**	**–**	**(11,868)**
Addition of lease liabilities	**–**	**–**	**–**	**458,554**	**–**	**–**	**458,554**
Repayment of lease liabilities	**–**	**–**	**–**	**(145,645)**	**–**	**–**	**(145,645)**
Dividend declared	**–**	**–**	**–**	**–**	**1,530,919**	**–**	**1,530,919**
Dividend paid	**–**	**–**	**–**	**–**	**(1,530,919)**	**–**	**(1,530,919)**
Payment to derivative financial instrument	**–**	**–**	**–**	**–**	**–**	**(49,217)**	**(49,217)**
Receipt for derivative financial instrument	**–**	**–**	**–**	**–**	**–**	**50,218**	**50,218**
Finance costs	**–**	**–**	**–**	**12,337**	**–**	**235,873**	**248,210**
Interest paid	**–**	**–**	**–**	**–**	**–**	**(232,880)**	**(232,880)**
At 31 December 2019	**2,685,475**	**5,725,699**	**–**	**407,074**	**2**	**14,539**	**8,832,789**

Consideration payable in relation to acquisition of additional interests in subsidiaries, interest payable and dividend payable are included in other payables and accruals in note 25.

43. EVENTS AFTER REPORTING PERIOD

The outbreak of the 2019 Novel Coronavirus ('COVID-19') in PRC and the subsequent quarantine measures and travel restrictions imposed in early 2020 by the PRC government had impacted on the full resumption of China's operations of the Group at that initial phase. The Group had since, for all its operating locations, implemented hygiene and work resumption policies and procedures in accordance to the government regulations and guidelines. As of to date, the Group has already resumed a normal operation according to the production plan.

As at time of writing, global markets have continued experiencing significant turmoils. Global restrictions of business operations, logistics, social and trading activities are causing economic slowdowns in the first half of 2020, and may extend beyond that. This period of recession of weak consumer sentiment and dampened smartphones demand will adversely impact short to medium-term financial performance of the Group.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	**2019 RMB'000**	2018 RMB'000
Non-current assets			
Interests in subsidiaries		**1,171,857**	1,171,857
Current assets			
Other receivables		**6,546**	5,621
Amounts due from subsidiaries		**2,906,026**	483,856
Bank balances and cash		**419,433**	155,866
		3,332,005	645,343
Current liabilities			
Other payables		**(12,371)**	(1,519)
Net current assets		**3,319,634**	643,824
Total assets less current liabilities		**4,491,491**	1,815,681
Non-current liabilities			
Unsecured notes		**(2,685,475)**	–
Net assets		**1,806,016**	1,815,681
Capital and reserves			
Share capital	31	**98,135**	98,906
Reserves		**1,707,881**	1,716,775
		1,806,016	1,815,681

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement of reserves

	Share premium RMB'000	Treasury shares RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	234,771	–	33,428	1,943,918	2,212,117
Profit and total comprehensive income for the year	–	–	–	1,962,094	1,962,094
Dividend declared	–	–	–	(2,179,901)	(2,179,901)
Shares repurchased	–	(277,860)	–	–	(277,860)
Shares cancelled	(198,333)	198,658	–	–	325
At 31 December 2018	**36,438**	**(79,202)**	**33,428**	**1,726,111**	**1,716,775**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,798,710**	**1,798,710**
Dividend declared	**–**	**–**	**–**	**(1,530,919)**	**(1,530,919)**
Shares repurchased	**–**	**(277,456)**	**–**	**–**	**(277,456)**
Shares cancelled	**(36,438)**	**356,658**	**–**	**(319,449)**	**771**
At 31 December 2019	**–**	**–**	**33,428**	**1,674,453**	**1,707,881**

5-Year Financial Summary

	Year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
RESULTS					
Revenue	11,738,866	15,506,828	21,118,566	18,131,153	**17,883,757**
Reported profit before taxation	3,435,273	4,632,990	5,996,297	4,310,302	**2,552,422**
Recurring profit before taxation	3,435,273	4,632,990	5,996,297	4,281,353	**2,533,188**
Taxation	(325,079)	(608,555)	(671,120)	(514,417)	**(330,048)**
Reported profit	3,110,194	4,024,435	5,325,177	3,795,885	**2,222,374**
Attributable to:					
Owners of the Company					
– reported	3,106,904	4,025,665	5,324,579	3,795,885	**2,222,375**
– recurring*	3,106,904	4,025,665	5,324,579	3,766,936	**2,203,141**
Non-controlling interests	3,290	(1,230)	598	–	**(1)**
	3,110,194	4,024,435	5,325,177	3,795,885	**2,222,374**
Reported Basic EPS	RMB2.53	RMB3.28	RMB4.35	RMB3.11	**RMB1.84**
Adjusted recurring Basic EPS	RMB2.53	RMB3.28	RMB4.35	RMB3.08	**RMB1.82**
Full year dividend	HK$1.20	HK$1.47	HK$2.10	HK$1.43	**HK$0.40**

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	16,420,201	24,257,204	30,721,946	29,869,166	**34,207,292**
Total liabilities	(5,066,118)	(10,042,407)	(13,171,006)	(10,935,068)	**(14,846,300)**
Net assets	11,354,083	14,214,797	17,550,940	18,934,098	**19,360,992**
Attributable to:					
Owners of the Company	11,306,942	14,188,879	17,550,940	18,934,098	**19,351,193**
Non-controlling interests	47,141	25,918	–	–	**9,799**
	11,354,083	14,214,797	17,550,940	18,934,098	**19,360,992**

* Recurring profits have excluded fair value gain (loss) on financial assets at fair value through profit or loss and gain on final settlement of earn-out consideration.

Investors Information

STOCK CODE

The Stock Exchange of Hong Kong Limited: 2018
Bloomberg: 2018: HK
Reuters: 2018.HK
ISIN: KYG2953R1149

MAJOR MARKET INDEXES

I. Constituent stock of the Hang Seng Index and included in its sub-indexes:
   - Corporate Sustainability Index, (Mainland and HK) Corporate Sustainability Index and HSI ESG Index
   - Composite LargeCap Index
   - Composite Industry Index (Industrials)
   - High Beta Index
   - SCHK China Technology Index
   - Large-Mid Cap Momentum 50 Index

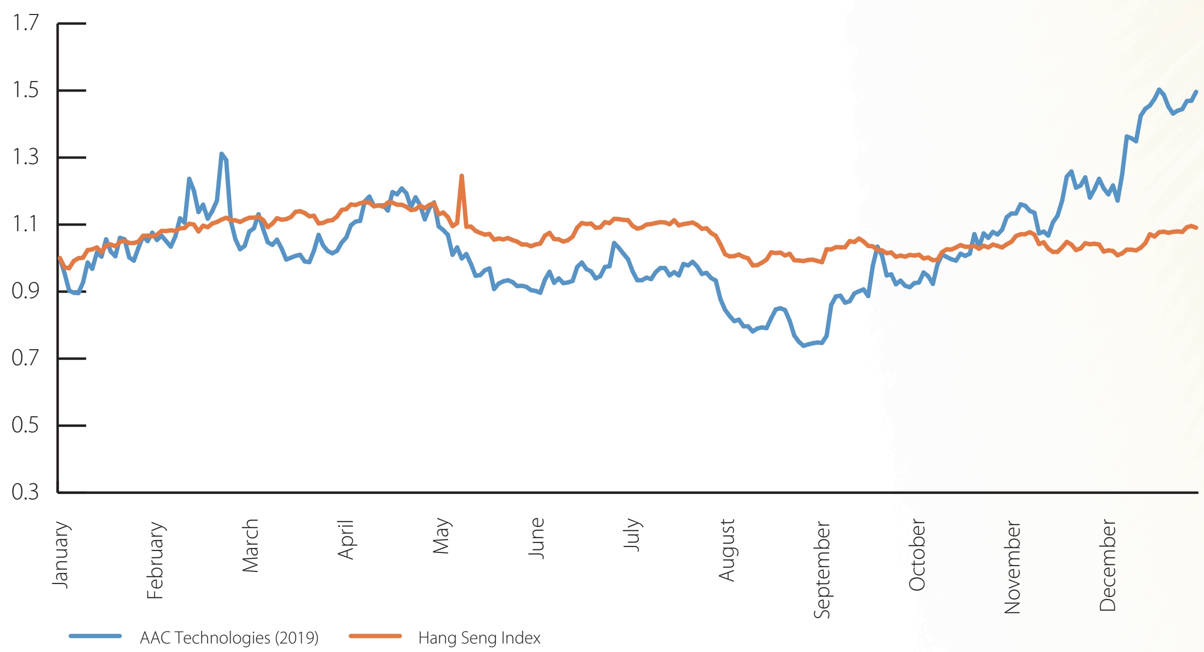
II. MSCI China Index

MARKET CAPITALIZATION AND SHARE PRICE PERFORMANCE

As at 31 December 2019, the market capitalization of listed shares of the Company was approximately HK$82.2 billion or US$10.56 billion based on the total number of 1,208,500,000 issued shares of the Company and the closing price of HK$68 per share.

The daily average number of traded shares was approximately 10.27 million shares over an approximate free float of 713.1 million shares in 2019. The average closing price was HK$47.18 per share, a decrease of 54.7% when compared with the average of 2018. The highest closing price was HK$68.30 per share on 17 December 2019 and the lowest was HK$33.55 per share on 28 August 2019.

1-year relative performance of the Company vs Hang Seng Index from 1 January to 31 December 2019 is set out below:



Base: 31 December 2018 closing = 1.0
Source: Bloomberg

Investors Information

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 period ended 31 December 2019 and has continued to maintain the public float as at the date of this annual report.

KEY DATES FOR SHAREHOLDERS

12–15 May 2020	Book Closure Period for AGM
15 May 2020	2020 First Quarter Results Announcement
15 May 2020	2020 AGM
Mid-August 2020	2020 Interim Results Announcement
Mid-November 2020	2020 Third Quarter Results Announcement

Any changes to these dates in 2020 will be published on the websites of the Stock Exchange and the Company.

FINANCIAL REPORTS

The Company's financial reports are printed in English and Chinese language and are available at the Company's website: www.aactechnologies.com and on the designated website of Hong Kong Exchange and Clearing Limited at www.hkexnews.hk. The registered shareholders who registered directly with Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("Computershare") will receive the financial reports in printed form. Non-registered shareholders who are not directly registered with Computershare but through Central Clearing and Settlement System ("CCASS") will receive a letter to choose to receive the financial reports in printed form or by electronic means. Non-registered shareholders who have chosen to receive the financial reports using electronic means and who for any reason have difficulty in receiving or gaining access to the financial reports will promptly upon request be sent a printed copy free of charge.

Non-registered shareholders may at any time change their means of receipt of the financial reports by reasonable notice in writing (not less than 7 days) to the Company or Computershare at the address stated in "Corporate Information" of this annual report or via e-mail (aac.ecom@computershare.com.hk).

CONTACT INVESTOR RELATIONS

Address: Unit 1605–7, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong
Tel: +852 3470–0060
Fax: +852 3470–0103
Email: aac2018@aactechnologies.com

Official IR wechat group:

Glossary

Abbreviations	Meanings
General/Financial	
12m ECL	12-month ECL
AAC/AAC Technologies/the Company	AAC Technologies Holdings Inc.
ACM	Association for Computing Machinery
AGM	Annual General Meeting
Articles	The articles of association of the Company
ASP	Average selling price
Board	The board of directors of the Company
CAPEX	Capital expenditure
CCASS	Central Clearing and Settlement System
CEO	Chief Executive Officer
CG Code	Corporate Governance Code
CGU	Cash-generating units
Code Provision(s)	Code Provisions of the CG Code
Committees	Committees of the Board
Companies Ordinance/CO	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong or Chapter 32 of the Laws of Hong Kong (as the case may be))
Computershare	Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited
COSO	Committee of Sponsoring Organizations of the Treadway Commission
COVID-19	Coronavirus disease
CSC	Critical Security Control
Debentures/Notes	The Company issued US$388,000,000 notes, unsecured, matured in 2024 to third party professional investors (Stock code: 40075)
Deloitte	Messrs. Deloitte Touche Tohmatsu
Director(s)	The director(s) of the Company
ECL	Expected credit losses
EGM	Extraordinary General Meeting
EIT Law	Law of the PRC on Enterprise Income Tax
EBITDA	Profit (Earnings) before interest, tax, depreciation and amortization
EPS	Earnings per share
ERA	Enterprise Risk Assessment
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GRI	Global Reporting Initiative
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAs	Hong Kong Standards on Auditing
HNTE	High-New Technology Enterprises
IEEE	Institute of Electric and Electronic Engineers
IFRSs	International Financial Reporting Standards
IT	Information Technology
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Memorandum	Memorandum of Association of the Company

Glossary

Abbreviations	Meanings
Model Code	Model Code for Securities Transactions by Directors of Listed Issuer under Appendix 10 of the Listing Rules
OCI	Other comprehensive income
OEMs	Original Equipment Manufacturers
Ordinary Shares	Ordinary shares in the capital of the Company
PPE	Property, plant and equipment
P/S	Price-to-Sales
QoQ	Quarter-on-quarter
ROA	Return on average total assets
ROE	Return on average equity
R&D	Research & Development
SDGs	Sustainable Development Goals
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Share Award Scheme/AAC Share Award Scheme/Scheme	The Employee's Share Award Scheme adopted by the Board on 23 March 2016
Shareholders	The shareholders of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
SWG	Sustainability Working Group
The Code	HKICPA's Code of Ethics for Professional Accountants
The Group	AAC Technologies Holdings Inc. and its subsidiaries
Trustee	Bank of Communications Trustee Limited, an independent trustee appointed by the Company for managing the Share Award Scheme
TTM	Trailing-twelve-month
YoY	Year-on-year
China/PRC	People's Republic of China
Hong Kong	Hong Kong Special Administrative Region
US	United States of America
HKD/HK$	Hong Kong dollars, the lawful currency of Hong Kong
RMB	Renminbi, the lawful currency of PRC
USD/US$	US Dollars, the lawful currency of United States
Industry	
3D	Three-dimensional
5G	5th Generation
AR	Augmented Reality
CoBit	Control Objectives for Information and related Technology
IDC	International Data Corporation
IoE	Internet of Everything
IoT	Internet of Things
LDS	Laser direct structuring
MEMS	Micro Electro-Mechanical Systems
RF	Radio Frequency
SLS	Super Linear Structure
SNR	Signal to noise ratio
TTL	Total track length
VR	Virtual Reality
WLG	Wafer-level glass